



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 Report 2016

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 2016, together with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
	Notes	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Turnover	3	1,741,529	1,351,951
Other income		4,624	3,229
Selling expenses		(1,272,858)	(966,215)
Administrative expenses		(334,068)	(256,774)
Share of loss of an associate		–	(105)
Finance costs	4	(3,162)	(23,051)
Profit before tax		136,065	109,035
Income tax expense	5	(38,732)	(33,798)
Profit for the period	6	97,333	75,237
Attributable to:			
— Owners of the Company		92,409	73,208
— Non-controlling interests		4,924	2,029
		97,333	75,237
Dividends	7	20,040	16,700
Earnings per share	8		
— Basic		HK13.83 cents	HK11.11 cents
— Diluted		HK13.83 cents	HK11.11 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

Unaudited
Six months ended 30 June

	2016 HK\$'000	2015 HK\$'000
Profit for the period	97,333	75,237
Other comprehensive (expense) income for the period		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation	(22,137)	4,144
Total comprehensive income for the period	75,196	79,381
Total comprehensive income attributable to:		
— Owners of the Company	70,196	77,256
— Non-controlling interests	5,000	2,125
	75,196	79,381

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		69,787	69,787
Property, plant and equipment	9	182,776	184,289
Goodwill		15,220	15,220
		267,783	269,296
CURRENT ASSETS			
Accounts receivables	10	1,046,418	997,808
Loan receivables		319,336	253,619
Other receivables and prepayments		105,011	267,916
Held for trading investments		11,510	29,705
Bank balances and cash		1,266,974	1,049,732
		2,749,249	2,598,780
CURRENT LIABILITIES			
Payables and accruals	11	401,254	405,400
Tax liabilities		145,413	116,036
Bank borrowings		87,653	39,053
		634,320	560,489
NET CURRENT ASSETS		2,114,929	2,038,291
TOTAL ASSETS LESS CURRENT LIABILITIES		2,382,712	2,307,587
CAPITAL AND RESERVES			
Share capital	12	6,680	6,680
Share premium and reserves		2,301,804	2,231,608
Equity attributable to owners of the Company		2,308,484	2,238,288
Non-controlling interests		23,148	18,148
TOTAL EQUITY		2,331,632	2,256,436
NON-CURRENT LIABILITY			
Deferred tax liabilities		51,080	51,151
		2,382,712	2,307,587

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Convertible	Special reserve HK\$'000	Statutory surplus reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
			notes equity reserve HK\$'000									
At 1 January 2015 (audited)	6,567	809,226	30,960	5,760	76,508	143,171	7,690	5,527	1,059,468	2,144,877	20,372	2,165,249
Other comprehensive income for the period	-	-	-	-	-	4,048	-	-	-	4,048	96	4,144
Profit for the period	-	-	-	-	-	-	-	-	73,208	73,208	2,029	75,237
Total comprehensive income for the period	-	-	-	-	-	4,048	-	-	73,208	77,256	2,125	79,381
Shares issued due to conversion of convertible notes by a noteholder	109	34,161	(4,351)	-	-	-	-	-	-	29,919	-	29,919
Exercise of share options	4	1,335	-	-	-	-	(279)	-	-	1,060	-	1,060
At 30 June 2015 (unaudited)	6,680	844,722	26,609	5,760	76,508	147,219	7,411	5,527	1,132,676	2,253,112	22,497	2,275,609
Other comprehensive expense for the period	-	-	-	-	-	(130,654)	-	-	-	(130,654)	(1,414)	(132,068)
Profit for the period	-	-	-	-	-	-	-	-	150,122	150,122	1,734	151,856
Total comprehensive (expense) income for the period	-	-	-	-	-	(130,654)	-	-	150,122	19,468	320	19,788
Dividends recognised as distribution	-	(36,740)	-	-	-	-	-	-	-	(36,740)	-	(36,740)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	260	260
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	2,448	2,448	(4,929)	(2,481)
Redemption of convertible notes	-	-	(26,609)	-	-	-	-	-	26,609	-	-	-
Transfer	-	-	-	-	14,204	-	-	-	(14,204)	-	-	-
At 31 December 2015 (audited)	6,680	807,982	-	5,760	90,712	16,565	7,411	5,527	1,297,651	2,238,288	18,148	2,256,436
Other comprehensive (expense) income for the period	-	-	-	-	-	(22,213)	-	-	-	(22,213)	76	(22,137)
Profit for the period	-	-	-	-	-	-	-	-	92,409	92,409	4,924	97,333
Total comprehensive (expense) income for the period	-	-	-	-	-	(22,213)	-	-	92,409	70,196	5,000	75,196
At 30 June 2016 (unaudited)	6,680	807,982	-	5,760	90,712	(5,648)	7,411	5,527	1,390,060	2,308,484	23,148	2,331,632

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Net cash from (used in) operating activities	208,596	(40,415)
Net cash used in investing activities	(24,600)	(48,727)
Net cash from (used in) financing activities	45,438	(5,547)
Net increase (decrease) in cash and cash equivalents	229,434	(94,689)
Cash and cash equivalents at beginning of the period	1,049,732	1,100,401
Effect of foreign exchange rate changes	(12,192)	1,810
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,266,974	1,007,522

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 (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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

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

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the above revised amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the 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 four business divisions including primary property real estate agency services, secondary property real estate agency services, financial services and property management services which form the Group’s four operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of secondary real estate services to customers. 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.

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

Six months ended 30 June 2016

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Financial services HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	1,069,419	444,917	39,437	187,756	1,741,529
Segment profit	138,169	8,260	10,517	11,002	167,948
Other income					4,624
Central administrative costs					(33,345)
Finance costs					(3,162)
Profit before tax					136,065
Income tax expense					(38,732)
Profit for the period					97,333

Six months ended 30 June 2015

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Financial services HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	855,844	326,525	17,934	151,648	1,351,951
Segment profit (loss)	137,179	(8,487)	3,438	10,083	142,213
Other income					3,229
Central administrative costs					(13,251)
Share of loss of an associate					(105)
Finance costs					(23,051)
Profit before tax					109,035
Income tax expense					(33,798)
Profit for the period					75,237

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, central administrative costs including directors' emoluments, share of loss of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	3,162	2,645
Effective interest of convertible notes	–	20,406
	3,162	23,051

5. INCOME TAX EXPENSE

The tax charges for both periods represent the People's Republic of China (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 3.25% (six months ended 30 June 2015: 2.5% to 3.25%) on turnover during the current period. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

No tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward for current period. No provision for Hong Kong Profits Tax had been made in prior period in the consolidated financial statements as the Group had no assessable profits in Hong Kong in prior period.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	29,557	25,097
Impairment on accounts receivables	2,916	1,676
Bank interest income	(3,444)	(2,311)
Net rental income in respect of premises, net of negligible outgoing	(2,621)	(2,225)

7. DIVIDENDS

On 26 August 2016, the Directors have resolved to declare an interim dividend of HK3 cents per share for the six months ended 30 June 2016. The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 28 September 2016.

An interim dividend of HK2.5 cents per share was paid for the six months ended 30 June 2015.

A final dividend of HK5.5 cents per share in respect of the year ended 31 December 2015 (2014: HK3 cents per share in respect of the year ended 31 December 2014), total of which equivalent to HK\$36,740,000 (2014: HK\$20,040,000) were proposed and approved by the shareholders in the annual general meeting held on 16 June 2016 and was distributed on 20 July 2016. No dividends were paid during the six months ended 30 June 2016.

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	
	2016 HK\$'000	2015 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	92,409	73,208

Number of shares

	Six months ended 30 June	
	2016 '000	2015 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	667,999	659,051
Effect of dilutive potential ordinary shares — Share options	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	667,999	659,051

The computation of diluted earnings per share for both periods do not assume the exercise of the Company's share options because the exercise prices of the Company's share options were higher than the average market prices of shares for the six months ended 30 June 2016 and 30 June 2015 respectively.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group spent approximately HK\$28 million, mainly on leasehold improvement, equipment of offices and branches and vehicles.

10. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2016 HK\$'000	30 June 2015 HK\$'000
Accounts receivables		
0–30 days	366,395	341,158
31–60 days	176,916	298,427
61–90 days	134,891	183,700
91–120 days	110,230	126,028
More than 120 days	257,986	138,070
	1,046,418	1,087,383

11. PAYABLES AND ACCRUALS

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

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016	8,000,000,000	80,000
Issued and fully paid:		
At 1 January 2015	656,701,909	6,567
Exercise of share options	416,000	4
Shares issued due to conversion of convertible notes by a noteholder	10,880,899	109
At 31 December 2015 and 30 June 2016	667,998,808	6,680

13. 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		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2016 HK\$'000	31 December 2015 HK\$'000		
Equity securities listed in the PRC classified as held for trading investments	7,097	22,514	Level 1	Quoted bid prices in an active market
Equity securities listed in Hong Kong classified as held for trading investments	4,413	7,191	Level 1	Quoted bid prices in an active market

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their corresponding fair values.

14. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of HK\$90,892,000 during the period (for the year ended 31 December 2015: HK\$147,994,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Within one year	141,513	113,222
In the second to fifth year inclusive	312,950	200,822
Over five years	27,472	9,071
	481,935	323,115

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to seven years (for the year ended 31 December 2015: one to eight years).

The Group as lessor

Property rental income, net of negligible outgoings, earned during the period was HK\$2,621,000 (for the year ended 31 December 2015: HK\$3,776,000). All of the investment properties held have committed tenants for the next one to seven years (for the year ended 31 December 2015: one to eight years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Within one year	3,647	2,408
In the second to fifth year inclusive	11,657	9,878
Over five years	1,763	541
	17,067	12,827

BUSINESS REVIEW

I. Market review for the first half of 2016

In the first half of 2016, economic growth was generally steady in China. The “Supply-side Structural Reform” concept proposed by the Central Government is aimed at boosting the quality and efficiency of supply while expanding total demand moderately, thereby helping to enhance sustainable growth momentum of the economy.

For the property sector, with clearing inventory as the focus, a host of relaxed policies have been introduced. Cities other than Beijing, Shanghai, Guangzhou and Shenzhen have lifted home-purchase restrictions and lowered the mortgage down payment for first homes. These supportive policies have fueled the continuous boom of the market manifested in higher property prices in many cities and much boosted transaction volumes. According to the National Bureau of Statistics, growth in area sold and total sales of residential properties in the country for the first half of the year was around 30%. However, the hotspots for sales have been mainly in first-tier and second-tier cities and property prices in some cities reported a strong growth momentum. As for third-tier and fourth-tier cities, excessive inventory is still a serious problem. Hence, the property market continues to face different challenges.

II. Overall Business Review

During the period under review, the Group closely followed development of property market related policies and market trends, diligently studied customer needs, optimized products and service structures and strived to grasp the new development direction of the industry. The Group continued to consolidate its foundation and excel in traditional businesses. And, at the same time, it accelerated expansion of innovative business and enhanced its diverse business profile. It also emphasized on using Internet technology to bolster its competitive advantage.

As at 30 June 2016, the Group recorded a turnover of HK\$1,741.5 million, up by approximately 29% as compared with the corresponding period last year (2015: HK\$1,351.9 million). Profit attributable to shareholders was HK\$92.4 million, increased by approximately 26% as compared with the corresponding period last year (2015: HK\$73.2 million). Basic earnings per share were HK13.83 cents (2015: HK11.11 cents).

The primary and secondary property real estate agency service businesses of the Group registered a turnover of HK\$1,069.4 million and HK\$444.9 million respectively, accounting for 61% and 26% of the Group’s total turnover. The turnover of the financial services business was HK\$39.4 million, accounting for 2% of the Group total. The remaining 11% or HK\$187.8 million was derived from the property management business and other businesses. By geographical location, Guangzhou business contributed about 52% of the Group’s total turnover, while around 48% came from businesses outside Guangzhou. Total new home sales for the first half of 2016 amounted to HK\$137.0 billion, from handling around 120,900 new home sales transactions. Total gross floor area sold was about 12.6 million square meters.

1. Primary property real estate agency segment developed steadily

The Group has always been seizing opportunity to extend its business coverage nationwide in order to increase its market share. Currently, the Group's business network covers more than 150 cities in China and is the agent of more than 900 projects. Business performance in core cities such as Guangzhou, Shenzhen, Foshan, Dongguan and Hefei has been satisfactory and the Group has maintained its leadership position in these cities. It has also actively expanded into second- and third-tier cities including Nanjing, Wuhan, Zhengzhou, Jinan, Guiyang, Nanning, Zhongshan and Zhuhai to capture higher market share. As at 30 June 2016, turnover of the segment amounted to HK\$1,069.4 million, representing approximately 25% increase as compared with corresponding period last year.

2. Remarkable growth for secondary property real estate agency segment

During the review period, the secondary property real estate agency business recorded satisfactory performance. Turnover increased by about 36% to about HK\$444.9 million as compared with the corresponding period last year (2015: HK\$326.5 million) from handling around 26,400 secondary property transactions (2015: 20,700), laying a solid foundation for the Group's stable growth. As the property market continued to warm up, so did the consumption sentiment among home buyers looking for better housing and the Group's business. To seize business opportunities, the Group timely added branches during the review period, taking the total number of branches to 380 to date.

3. Financial services made good progress

The online investment and financing platform has been operating smoothly since it was launched in September 2015. As a financial intermediary, the Group has maintained strong strategic cooperative partnerships with renowned financial institutions. The Group also established a safe financial transaction chain by integrating with offline points-of-sale, secondary branches and community resources. Major features of the Group's financial service products are: small amounts, diverse targets, short cycles and controllable risk.

As at 30 June 2016, loans originated from financial services exceeded HK\$1.2 billion and turnover was approximately HK\$39.4 million. The Group is optimistic about the development prospects of its property-related financial service business as the foundation of the business becomes stronger.

4. Property management services achieved stable growth

The Group's property management services business developed satisfactorily during the period under review, with total revenue boosted, while maintaining good interaction with clients helping to enhance the Group's brand image. In the first half of 2016, property management services business recorded an increase in turnover from about HK\$151.6 million in 2015 to about HK\$187.8 million. The Group has been providing property management services to about 300 residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan involving over 300,000 units with total gross floor area exceeding 30 million square meters.

Internet segment

To tap into the popularity of Internet technologies and applications, the Group has set up a technical department comprising professionals to focus on R&D of networking modes for the industry and also computer and mobile apps including iHouseKing (www.ihk.cn), Fang Wang Jia (房王加), Fang Zhuan Jia (房專家), He Ji Mai Lou (合記買樓) and HFmoney (合富金融), in order to complement different business segments. It also has official public accounts including Hopefluent, iHouseKing and HFmoney set up appropriately on the WeChat platform. Through repeated simulations of scenarios such as property transaction and services for property owners, it ensured the organic combination of Internet technology and its traditional businesses, enabling it to provide more convenient and effective instant information and service to clients and strengthen its competitiveness and leading position in the industry.

III. Prospects for the second half of 2016

The Chinese economy is going through a critical stage of transformation and reform while facing downward pressure. The Group believes the Central Government will maintain moderately-relaxed policies to ensure overall steady development of the market. With ridding excessive inventory as the major objective, the government will implement relevant policies for relevant city, so as to appropriately guide property consumption, while emphasizing risk control over property and land prices in some areas.

Against such an economic backdrop, Hopefluent will closely monitor market trends, keep its finger on the pulse of the property industry and continuously enhance its service platforms to meet the demand of the modern property service segment. At the same time, employing diversified development strategies, it will strive to maintain a strong development momentum and continuously boost market competitiveness, thereby keep improving its profitability for delivering better returns to shareholders and investors.

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 2016 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, 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\$1,267.0 million (31 December 2015: HK\$1,049.7 million) and 4.33 (31 December 2015: 4.64) respectively. Total borrowing amounted to approximately HK\$87.7 million which are secured bank borrowings (31 December 2015: approximately HK\$39.0 million which are secured bank borrowings). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 2.91% (31 December 2015: 1.36%). The Group's secured bank borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2016.

On 12 November 2014, 42,000,000 ordinary shares (with an aggregate nominal value of HK\$420,000) and 91,000,000 ordinary shares (with an aggregate nominal value of HK\$910,000) of the Company (the "Share(s)") were issued to China-net Holding Ltd. ("China-net") and SouFun Holdings Limited ("SouFun") respectively at a subscription price of HK\$3.00 per Share in accordance with the respective subscription agreements dated 12 September 2014 (the "Subscription Agreements"). The subscription price of HK\$3.00 per Share represented: (i) a premium of approximately 14.07% to the closing price of HK\$2.63 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 September 2014, being the date on which the terms of the subscription were fixed and the Subscription Agreements were signed; (ii) a premium of approximately 15.83% to the average closing price of approximately HK\$2.59 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12 September 2014; and (iii) a premium of approximately 16.73% to the average closing price of approximately HK\$2.57 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 12 September 2014. The net subscription price for the subscription was approximately HK\$2.97 per Share.

The net proceeds of the above subscription was approximately HK\$395,000,000. As at 30 June 2016, approximately HK\$180,000,000 of the net proceeds had been utilised to conduct real estate financial and Internet financial services business and approximately HK\$120,000,000 as general working capital of the Group. As previously disclosed, the remaining proceeds of approximately HK\$95,000,000 will be utilised to conduct the said financial services business and as general working capital.

The reason for entering into the subscription agreement with SouFun was that the Company considered SouFun an ideal partner for cooperation in order to reinforce its real estate property Internet business through linking up with a top real estate website to enable it to ride on the e-commerce competitive edge, broaden the customer base and improve its various value added services. The reason for entering into the subscription agreement with China-net, which was one of the conditions precedent to the completion of SouFun's subscription agreement, was to enable the condition that the existing controlling shareholder of the Company would continue to hold not less than 30% of the issued share capital of the Company on a fully diluted basis be met.

Details of the above can be found in the announcements of the Company dated 10 July 2014, 12 August 2014, 12 September 2014 and 31 October 2014 and the circular dated 7 October 2014.

CONVERTIBLE NOTES

On 28 August 2015, the exchangeable bonds in the aggregate principal amount of HK\$146,400,000 were redeemed. Upon redemption of such exchangeable bonds, all the exchangeable bonds have been fully redeemed and cancelled. For further information, please refer to the Company's announcement dated 28 August 2015.

PLEDGE OF ASSETS

As at 30 June 2016, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$73 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 2016, the Group had approximately 18,800 full time employees. Around 9 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 discussion and analysis has not changed materially from those information disclosed in the last published 2015 annual report.

INTERIM DIVIDEND

On 26 August 2016, the board of Directors (the "Board") have resolved to declare an interim dividend of HK3 cents per share of the Company (the "Share(s)") for the six months ended 30 June 2016 (the "Interim Dividend") payable to shareholders of the Company whose names are on the register of members on 28 September 2016. It is expected that the Interim Dividend will be paid on 18 October 2016.

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 2016, 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:

Name of Director	Number of shares			Aggregate interest	Approximate percentage of the issued share capital
	Ordinary shares interests held under personal name	Ordinary shares interests held by controlled corporation/trust	Underlying shares (under equity derivatives of the Company) (Note 2)		
Director					
Mr. Fu Wai Chung ("Mr. Fu")	13,500,334	220,184,799 (Note 1)	–	233,685,133	34.98%
Ms. Ng Wan	832,334	–	–	832,334	0.12%
Ms. Fu Man	–	–	3,984,000	3,984,000	0.60%
Mr. Lo Yat Fung	–	–	3,920,000	3,920,000	0.59%
Mr. Lam King Pui	–	–	296,000	296,000	0.04%
Mr. Mo Tianquan	–	111,935,037 (Note 3)	–	111,935,037	16.76%

Notes:

- (1) These 174,184,799 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. The remaining 46,000,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.
- (2) Details of share options held by directors are shown in the section of "Share Options".
- (3) These shares are held by SouFun Holdings Limited as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of SouFun Holdings Limited. Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.

(ii) Ordinary shares of US\$1.00 each in Fu's Family Limited

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

(iii) Ordinary shares of US\$1.00 each in China-net Holding Ltd.

Name of director	Number of shares interested	Percentage of shareholding
Fu Wai Chung	100	100%

Share Options

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

Movements of the share options during the six months ended 30 June 2016 were as follows:

	Number of share options					As at 30 June 2016	Date of grant	Exercise period	Exercise price per share HK\$	Closing price of share immediate before date of grant HK\$
	As at 1 January 2016	Granted during the period	Lapsed/ Cancelled during the period	Exercised during the period						
Directors										
Mr. Fu Wai Chung	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Ms. Ng Wan	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Ms. Fu Man	3,984,000	-	-	-	3,984,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mr. Lo Yat Fung	3,920,000	-	-	-	3,920,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mr. Lam King Pui	296,000	-	-	-	296,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mr. Ng Keung	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mrs. Wong Law Kwai Wah, Karen	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Others										
Employees	2,856,000	-	-	-	2,856,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Total	11,056,000	-	-	-	11,056,000					

Save as disclosed above, as at 30 June 2016, 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

At the annual general meeting held on 6 June 2014 (“2014 annual general meeting”) the Company had adopted a new share option scheme (the “Scheme”) to replace the Old Scheme. Under the Scheme, the directors of the Company may, at their discretion, invite employees of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors 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 2014 annual general meeting and subject to renewal with shareholders’ approval.

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

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 2016, 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)	234,517,467	35.11%
Fu’s Family Limited (Note 2)	174,184,799	26.08%
China-net Holding Ltd. (Note 1)	46,000,000	6.89%
SouFun Holdings Limited (Note 3)	111,935,037	16.76%
Media Partner Technology Limited (Note 3)	111,935,037	16.76%
Next Decade Investments Limited (Note 3)	111,935,037	16.76%
Mo Tianquan (Note 3)	111,935,037	16.76%
Caldstone Enterprises Limited (Note 3)	111,935,037	16.76%
Seletar Limited (Note 3)	111,935,037	16.76%
Serangoon Limited (Note 3)	111,935,037	16.76%
Value Partners Group Limited	39,296,000	5.88%

Notes:

1. Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited and China-net Holding Ltd. Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 13,500,334 shares held by himself and 832,334 shares held by his spouse, Ms. Ng Wan, who is also a director of the Company. The remaining 46,000,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.
2. These 174,184,799 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. These shares are held by SouFun Holdings Limited as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of SouFun Holdings Limited. Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 2016, 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 26 September 2016 (Monday) to 28 September 2016 (Wednesday), both days inclusive, during which period no transfer of Shares shall be effected. In order to be qualified for the Interim Dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 23 September 2016 (Friday).

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 2016, 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 2016 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, 26 August 2016

As at the date of this report, 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.