



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

2017
Interim Report



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 2017, together with comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Turnover	3	2,247,348	1,741,529
Other income		7,799	4,624
Selling expenses		(1,660,349)	(1,272,858)
Administrative expenses		(396,782)	(334,068)
Share of loss of a joint venture		(790)	–
Finance costs	4	(14,951)	(3,162)
Profit before tax		182,275	136,065
Income tax expense	5	(54,882)	(38,732)
Profit for the period	6	127,393	97,333
Attributable to:			
— Owners of the Company		121,588	92,409
— Non-controlling interests		5,805	4,924
		127,393	97,333
Dividends	7	30,060	20,040
Earnings per share	8		
— Basic		HK18.20 cents	HK13.83 cents
— Diluted		HK18.20 cents	HK13.83 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Profit for the period	127,393	97,333
Other comprehensive income (expense) for the period		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation	67,752	(22,137)
Total comprehensive income for the period	195,145	75,196
Total comprehensive income attributable to:		
— Owners of the Company	188,521	70,196
— Non-controlling interests	6,624	5,000
	195,145	75,196

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		68,302	67,307
Property, plant and equipment	9	206,892	187,799
Deposits for acquisition of investment properties		49,178	47,804
Goodwill		14,370	14,370
Interest in a joint venture		21,645	22,435
Loan receivables		188,021	142,700
		548,408	482,415
CURRENT ASSETS			
Accounts receivables	10	1,149,551	992,423
Loan receivables		247,526	244,024
Other receivables and prepayments		168,443	123,879
Held for trading investments		5,712	6,247
Bank balances and cash		1,669,239	1,677,281
		3,240,471	3,043,854
CURRENT LIABILITIES			
Payables and accruals	11	626,260	659,359
Tax liabilities		150,582	130,822
Bank and other borrowings		392,261	251,469
		1,169,103	1,041,650
NET CURRENT ASSETS		2,071,368	2,002,204
TOTAL ASSETS LESS CURRENT LIABILITIES		2,619,776	2,484,619
CAPITAL AND RESERVES			
Share capital	12	6,680	6,680
Share premium and reserves		2,508,149	2,379,747
Equity attributable to owners of the Company		2,514,829	2,386,427
Non-controlling interests		49,057	42,434
TOTAL EQUITY		2,563,886	2,428,861
NON-CURRENT LIABILITY			
Deferred tax liabilities		55,890	55,758
		2,619,776	2,484,619

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	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
At 1 January 2016 (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
Other comprehensive expense for the period	-	-	-	-	(86,877)	-	-	-	(86,877)	(1,270)	(88,147)
Profit for the period	-	-	-	-	-	-	-	209,798	209,798	11,553	221,351
Total comprehensive (expense) income for the period	-	-	-	-	(86,877)	-	-	209,798	122,921	10,283	133,204
Dividends recognised as distribution	-	(56,780)	-	-	-	-	-	-	(56,780)	-	(56,780)
Lapse of share options	-	-	-	-	-	(7,411)	-	7,411	-	-	-
Recognition of equity settled share-based payments	-	-	13,135	-	-	-	-	-	13,135	-	13,135
Deemed disposal of partial interests in subsidiaries	-	-	7,670	-	-	-	-	(9,003)	(1,333)	9,003	7,670
Transfer	-	-	-	14,160	-	-	-	(14,160)	-	-	-
At 31 December 2016 (audited)	6,680	751,202	26,565	104,872	(92,525)	-	5,527	1,584,106	2,386,427	42,434	2,428,861
Other comprehensive income for the period	-	-	-	-	66,933	-	-	-	66,933	819	67,752
Profit for the period	-	-	-	-	-	-	-	121,588	121,588	5,805	127,393
Total comprehensive income for the period	-	-	-	-	66,933	-	-	121,588	188,521	6,624	195,145
Dividends recognised as distribution	-	(60,120)	-	-	-	-	-	-	(60,120)	-	(60,120)
At 30 June 2017 (unaudited)	6,680	691,082	26,565	104,872	(25,592)	-	5,527	1,705,694	2,514,828	49,058	2,563,866

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Net cash (used in) from operating activities	(76,632)	208,596
Net cash used in investing activities	(41,558)	(24,600)
Net cash from financing activities	65,720	45,438
Net (decrease) increase in cash and cash equivalents	(52,470)	229,434
Cash and cash equivalents at beginning of the period	1,677,281	1,049,732
Effect of foreign exchange rate changes	44,428	(12,192)
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,669,239	1,266,974

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above 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.

3. SEGMENT INFORMATION (continued)

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

	Six months ended 30 June 2017				
	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	1,383,699	597,346	52,306	213,997	2,247,348
Segment profit	179,677	19,311	12,258	18,823	230,069
Other income					7,799
Central administrative costs					(39,852)
Share of loss of a joint venture					(790)
Finance costs					(14,951)
Profit before tax					182,275
Income tax expense					(54,882)
Profit for the period					127,393

	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

Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, share of loss of a joint venture 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	
	2017 HK\$'000	2016 HK\$'000
Interest on bank and other borrowings	14,951	3,162

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 2.5% (six months ended 30 June 2016: 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 condensed 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	
	2017 HK\$'000	2016 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	28,516	29,557
Impairment on accounts receivables	6,615	2,916
Bank interest income	(6,052)	(3,444)
Net rental income in respect of premises, net of negligible outgoings	(1,978)	(2,621)

7. DIVIDENDS

An interim dividend of HK4.5 cents per share in respect of the six months ended 30 June 2017 (2016: HK3 cents per share) was declared by the board of directors of the Company on 30 August 2017. This interim dividend, amounting to HK\$30,060,000 (2016: HK\$20,040,000), 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 28 September 2017.

A final dividend of HK9 cents per share in respect of the year ended 31 December 2016 (2015: HK5.5 cents per share in respect of the year ended 31 December 2015), total of which equivalent to HK\$60,120,000 (2015: HK\$36,740,000) were proposed and approved by the shareholders in the annual general meeting held on 15 June 2017 and was distributed on 11 July 2017.

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	
	2017 HK\$'000	2016 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	121,588	92,409

Number of shares

	Six months ended 30 June	
	2017 '000	2016 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	667,999	667,999
Effect of dilutive potential ordinary shares — Share options	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	667,999	667,999

The computation of diluted earnings per share for the six months ended 30 June 2016 does not assume the exercise of the Company's share options because the exercise price of the Company's share options were higher than the average market price of shares for the six months ended 30 June 2016.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group spent approximately HK\$48 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 2017 HK\$'000	31 December 2016 HK\$'000
Accounts receivables		
0–30 days	354,275	519,784
31–60 days	182,623	157,151
61–90 days	190,455	116,958
91–120 days	156,348	63,208
More than 120 days	265,850	135,322
	1,149,551	992,423

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 2016, 31 December 2016 and 30 June 2017	8,000,000,000	80,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 30 June 2017	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 2017 HK\$'000	31 December 2016 HK\$'000		
Equity securities listed in the PRC classified as held for trading investments	5,712	3,735	Level 1	Quoted bid prices in an active market
Equity securities listed in Hong Kong classified as held for trading investments	–	2,512	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\$94,416,000 during the period (for the year ended 31 December 2016: HK\$174,292,000).

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 2017 HK\$'000	31 December 2016 HK\$'000
Within one year	178,588	149,904
In the second to fifth year inclusive	393,103	298,238
Over five years	28,415	25,548
	600,106	473,690

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 nine years (for the year ended 31 December 2016: one to ten years).

The Group as lessor

Property rental income, net of negligible outgoings, earned during the period was HK\$1,978,000 (for the year ended 31 December 2016: HK\$3,852,000). All of the investment properties held have committed tenants for the next one to eight years (for the year ended 31 December 2016: one to nine years).

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

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Within one year	3,403	4,543
In the second to fifth year inclusive	8,130	10,967
Over five years	150	230
	11,683	15,740

BUSINESS REVIEW

I. Market Review for 2017 First Half

In the first half of 2017, the property market remained relatively stable in China. The policy focus of the Central Government also gradually shifted from “reduction of inventory” last year to “de-leveraging and repression of speculation.” The government also clearly stated that it will accelerate the assessment on how to establish a fundamental mechanism and long-term effective system that suit the conditions of China and enforce market discipline. In general, it clearly aims to achieve healthy and stable development of the property industry, so the related market will mainly adhere to a course of stability maintenance.

During the period, the Group has managed to further expand its market share. Looking at the property market in China, strong rigid demands still existed and the property prices have been gradually stabilized in some cities. While the financial policies of China are undergoing rather radical changes, the ability of citizens to purchase homes has still been higher than expected. Hopefluent will adhere to its notion of “growing steadily” to build a sustainable ecosystem of its property business through actively creating strong synergies across different segments under a flexible layout.

II. Overall Business Review

During the period under review, the Group has kept abreast of the trend of economic development and segregation of the property industry. The Group has also pursued a market oriented direction with its competitive commercial model, which not only laid a solid foundation for business development, but also further enhanced the profitability and consolidated the leading presence of Hopefluent. While maintaining constant growth of the integrated property service business, the Group continued to evolve into an all-round, diverse company across different sectors. It has also integrated online-to-offline development to form innovative value-added property services that can complement each other, covering property financial and Internet financial services businesses, etc. These initiatives have vigorously boosted our business growth and facilitated the steady coordinated development of all operations.

As at 30 June 2017, the Group recorded a turnover amounted to HK\$2,247.3 million, approximately 29% higher than the same period last year (2016: HK\$1,741.5 million). Profit attributable to shareholders increased by approximately 31.6% to HK\$121.6 million from the last corresponding period (2016: HK\$92.4 million). Basic earnings per share were HK18.20 cents (2016: HK13.83 cents), and the board of Directors have resolved to declare an interim dividend of HK4.5 cents per share (2016: HK3 cents).

The primary and secondary property real estate agency service businesses of the Group registered a turnover of HK\$1,383.7 million and HK\$597.3 million respectively, accounting for 62% and 27% of the Group’s total turnover. The turnover from the financial services business was HK\$52.3 million, accounting for 2% of the Group total. The remaining 9% or HK\$214.0 million was derived from property management business and other businesses. By geographical location, Guangzhou business accounted for about 51% of the Group’s total turnover, while around 49% came from businesses outside Guangzhou. Total new home sales for the first half of 2017 amounted to approximately HK\$170 billion, from handling around 150,000 new home sales transactions. Total gross floor area sold was about 14 million square meters.

1. *Primary property real estate agency service business underwent stable growth and retained its leading position*

The Group has strived to seize the opportunities in the market, aiming to enlarge its market share and reinforce its leading position by actively building a nationwide business presence. 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 grew notably, which further consolidated its industry leadership advantages. The Group flexibly allocated its sales teams of primary and secondary property real estate agency businesses and strived to accelerate the business development in second- and third-tier cities such as Nanjing, Wuhan, Zhengzhou, Jinan, Guiyang, Nanning, Zhongshan and Zhuhai, and further capture the market share in those areas. As of 30 June 2017, turnover of the segment amounted to HK\$1,383.7 million (2016: HK\$1,069.4 million), an increase of approximately 29% from the last corresponding period.

2. *Secondary property real estate agency service business continued to grow and agent team expanded continuously*

The secondary property real estate agency service business performed satisfactorily during the period. Turnover increased by about 34% to about HK\$597.3 million as compared with the corresponding period last year (2016: HK\$444.9 million) from handling around 32,500 secondary property transactions (2016: 26,400). The brilliant business performance injected momentum for the steady growth of the Group in the future. In the past six months, although the property policies in China have become moderately more restricted, the Group has won the trust of customers and delivered outstanding results for this segment with its quality and reliable services and nationwide business coverage. The number of branches of the Group increased from around 400 at the end of 2016 to 430 during the review period, and the number of staff also grew from 7,200 to 7,600.

3. *Financial services grew rapidly while assets management service was launched*

The Internet financial service platform has been operating for nearly two years and has performed so well that it has become the Group's growth spotlight. The Group has continued to enhance its strong cooperation with various renowned and reputable financial institutions. It has also worked closely with partners from different sectors such as offline points-of-sale, secondary branches and community resources to build an extensive financial customer base. It has strived to meet the demand of consumers through optimizing the O2O sales model and increasing the value of the transaction chain. The Group's financial service products feature small amounts, diverse targets, short cycles and controllable risk, and these products have gained the widespread recognition from customers since their debut.

As at 30 June 2017, loans originated from financial services exceeded HK\$1.5 billion and turnover was approximately HK\$52.3 million (2016: HK\$39.4 million). With a stronger business foundation, after careful evaluation, the Group has decided to develop the assets management business to meet the increasing demand in the market. Quality customers can help the Group to build a professional property database at the same time. Through precise data application, demand analysis and logic integration, it is believed that the “mega data” can be utilised in the assets management business, and then be extended to other business areas comprehensively and in-depth in the future, turning it into an indispensable competitive edge of the Group in the mega data era.

4. *Internet business has enhanced branding effect as Group strives to integrate offline and online businesses*

The Group has been more actively and widely applying Internet technology. With the increasing popularity of smartphones and electronic products, and to precisely reflect and fully implement its diverse business development strategy, the Group has formed an Internet technology R&D department with professionals. It has taken into consideration its business needs to continuously design and promote various Internet products, including computer and mobile apps such as iHouseKing (房王網) (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) (www.hfmoney.com). It has also developed new applications suitable for the Group on the WeChat platform. All of these initiatives have enabled the Group to capture the opportunities from different businesses and markets, notably strengthen the impact of its branding, quickly and effectively integrate various online and offline operations, optimize workflow and further facilitate operational efficiency.

5. *Property management services have achieved stable growth by providing value-added services for customers*

The property management business performed well during the period under review, generating a steady profit contribution to the Group’s total revenue. Good interaction with its customers has further enhanced the Group’s brand. In the first half of 2017, this segment’s turnover increased from approximately HK\$188 million in the same period last year to approximately HK\$214 million. The Group has provided property management services to about 300 residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan with a total gross floor area of approximately 30 million square meters.

III. Prospects for the second half of 2017

The Chinese economy is expected to maintain the steadily upward momentum in the second half. The property market will progress persistently under the macroeconomic control and adjustment. Although a tighter financing environment may affect the rapid expansion of the property market, market demand is still the fundamental force to facilitate transactions. To suppress property prices, local governments have started to increase land supply. The further expansion of the market will bring us opportunities. Besides, the development of the national policy of Guangdong-Hong Kong-Macau Greater Bay Area has accelerated. Hopefluent's business focus is exactly in this key area and the Group occupies a key position in the market, so we believe that the continuous progress of the Greater Bay Area will create greater room for the property market, as well as enormous business opportunities for the Group.

Along with the intensifying competition in the property market in the second half of the year, the policy will differentiate the extent of control within different areas. "Stronger remains as strong", Hopefluent has already reserved rich resources, prepared for strategic transformation and formed its talent pool with the purposes to proactively first tap the market opportunities, quickly secure market share and ultimately deliver good results leveraging its industry-leading advantages. Capitalizing on its solid and established foundation as well as superior business model, the Group resolves to work hand-in-hand with shareholders and investors to realize more satisfactory returns.

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 2017 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, 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\$1,669.2 million (31 December 2016: HK\$1,677.3 million) and 2.77 (31 December 2016: 2.92) respectively. Total borrowings amounted to approximately HK\$392 million of which about HK\$69 million are bank borrowings and about HK\$323 million are collateralised borrowings on loan receivables (31 December 2016: approximately HK\$251 million which are collateralised borrowings on loan receivables). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 10.35% (31 December 2016: 7.13%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2017.

PLEDGE OF ASSETS

As at 30 June 2017, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$90 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 2017, the Group had approximately 21,400 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 discussion and analysis has not changed materially from those information disclosed in the last published 2016 annual report.

INTERIM DIVIDEND

On 30 August 2017, the board of Directors (the "Board") have resolved to declare an interim dividend of HK4.5 cents per share of the Company (the "Share(s)") for the six months ended 30 June 2017 (the "Interim Dividend") payable to shareholders of the Company whose names are on the register of members on 28 September 2017. It is expected that the Interim Dividend will be paid on 20 October 2017.

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 2017, 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)		
Director					
Mr. Fu Wai Chung ("Mr. Fu")	20,204,334	221,902,799 (Note 1)	-	242,107,133	36.24%
Ms. Ng Wan	832,334	-	-	832,334	0.12%
Mr. Mo Tianquan	-	111,935,037 (Note 2)	-	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 47,718,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.

- (2) These shares are held by Fang Holdings Limited (formerly known as 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 Fang 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").

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

Save as disclosed above, as at 30 June 2017, 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, exercised 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 2017, 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)	242,939,467	36.37%
Fu's Family Limited (Note 2)	174,184,799	26.08%
China-net Holding Ltd. (Note 1)	47,718,000	7.14%
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%
Mr. 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%

Notes:

- 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, 20,204,334 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 47,718,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.
- 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.
- These shares are held by Fang Holdings Limited (formerly known as 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 Fang 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 2017, 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 27 September 2017 (Wednesday) to 28 September 2017 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 26 September 2017 (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 2017, 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. 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 2017 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, 30 August 2017

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.