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HOPEFLUENT GROUP HOLDINGS LIMITED

合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 733)

COOPERATION RESTRUCTURING INVOLVING A MAJOR ACQUISITION AND A MAJOR DEEMED DISPOSAL

ISSUE OF THE NEW SHARES UNDER THE SPECIFIC MANDATE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular unless the context otherwise required.

A notice convening the EGM to be held at Admiralty and The Peak, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3:30 p.m. on 19 July 2018 (Thursday) is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish; and in such event, the form of proxy shall be deemed to be revoked. This circular is published on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and on the website of the Company at <http://www.hopefluent.com/>.

22 June 2018

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 9 May 2018 in relation to, <i>inter alia</i> , the Cooperation Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“Business Day(s)”	day(s) (other than Saturdays and Sundays) on which banks are open for general banking transactions in the PRC
“Capital Contribution Completion Date”	the date of issuance of the new business license of Hopefluent China after completing the procedures for business registration in relation to the increase in registered capital and the commerce and industry registrations in response to the capital increase
“Company”	Hopefluent Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 733)
“Cooperation Agreement”	a cooperation reorganisation agreement (合作重組協議) dated 7 May 2018 entered into by the Company, Hopefluent HK and Poly Real Estate regarding the Cooperation Restructuring and the allotment and issue of the New Shares
“Cooperation Restructuring”	the cooperation restructuring of Hopefluent China and Poly Consultancy where Poly Real Estate will make a capital contribution to Hopefluent China by way of injecting the entire equity interests of Poly Consultancy held by it into Hopefluent China and in return obtaining 43.9% of the entire equity interests in Hopefluent China as contemplated under the Cooperation Agreement
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, <i>inter alia</i> , the Cooperation Agreement and the transactions contemplated thereunder, including the allotment and issue of the New Shares
“Enlarged Group”	the Group and the Poly Consultancy Group
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hopefluent China”	合富輝煌(中國)房地產顧問有限公司 (in English, for identification purpose only, Hopefluent (China) Real Estate Consultancy Co., Ltd.), a company established under the laws of the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company prior to the completion of the Cooperation Restructuring
“Hopefluent China Group”	Hopefluent China and its 95 companies after the internal corporate reorganisation being conducted by Hopefluent China for the purpose of the Cooperation Restructuring, details of which are set out in part A of Appendix VI to this circular
“Hopefluent HK”	Hopefluent (Hong Kong) Limited (合富輝煌(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Third Party”	party who is not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/ their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Independent Valuer”	BMI Appraisals Limited
“Latest Practicable Date”	19 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	being 36,000,000 new Shares to be allotted and issued at the issue price of HK\$4.20 per Share, credited as fully paid, by the Company
“Original PC Group”	the Poly Consultancy Group and Poly Micro Credit Finance
“Poly Consultancy”	保利地產投資顧問有限公司 (in English, for identification purpose only, Poly Real Estate Investment Consultancy Co., Ltd.), a company established under the laws of the PRC and a direct wholly-owned subsidiary of Poly Real Estate prior to the Cooperation Restructuring

DEFINITIONS

“Poly Consultancy Group”	Poly Consultancy and its 4 companies after the internal corporate reorganisation being conducted by Poly Consultancy for the purpose of the Cooperation Restructuring, details of which are set out in part B of Appendix VI to this circular
“Poly Real Estate”	Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the Shanghai Stock Exchange (stock code: 600048)
“Poly Micro Credit Finance”	廣州保利小額貸款股份有限公司 (in English, for identification purpose only, Guangzhou Poly Micro Credit Finance Co., Ltd.), a company established under the laws of the PRC and an associate of Poly Consultancy prior to the corporate restructuring as contemplated under the Cooperation Agreement
“PRC”	People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the existing issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Directors in relation to the allotment and issue of the New Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. FU Wai Chung
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Non-Executive Director:

Mr. MO Tianquan

Independent Non-Executive Directors:

Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

Registered Office:

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Room 3611, 36th Floor
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200 Connaught Road Central
Hong Kong

Hong Kong, 22 June 2018

To the Shareholders

Dear Sir/Madam,

**COOPERATION RESTRUCTURING INVOLVING
A MAJOR ACQUISITION AND A MAJOR DEEMED DISPOSAL
ISSUE OF THE NEW SHARES UNDER THE SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, (a) the acquisition by Hopefluent China of the Poly Consultancy Group, in consideration for the issue by Hopefluent China of 43.9% of its entire equity interests to Poly Real Estate, which is regarded as a deemed disposal of the Company's interests in a subsidiary of the Company under Rule 14.29 of the Listing Rules; and (b) the allotment and issue of the New Shares to Poly Real Estate (or its nominee) at an issue price of HK\$4.20 per New Share.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Cooperation Agreement; (ii) a letter of advice from the Board to the Shareholders; (iii) financial information of the Original PC Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Hopefluent China Group and the Poly Consultancy Group; and (vi) a notice convening the EGM.

THE COOPERATION AGREEMENT

Date

7 May 2018

Parties

1. the Company;
2. Hopefluent HK; and
3. Poly Real Estate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Poly Real Estate and its ultimate beneficial owners are Independent Third Parties.

The Hopefluent China Group has had real estate agency business transactions with Poly Real Estate and its subsidiaries. For the year ended 31 December 2017, the revenue of the Hopefluent China Group derived from transactions with Poly Real Estate and its subsidiaries, which mainly comprised of commission income, amounted to approximately HK\$64,001,000, representing approximately 1.60% of the turnover (net of business tax and other taxes) of the Hopefluent China Group for that year (i.e. HK\$3,993,451,000). As the headquarters of both the Hopefluent China Group and Poly Real Estate are situated in Guangzhou, the PRC, there has been regular business communication between the senior management of the two groups. The senior management of Poly Real Estate then approached the Board and initiated the discussion between the two groups in exploring the possibility of having further cooperation.

Assets involved

The Company and Poly Real Estate have agreed to integrate their respective primary and secondary real estate agency service businesses.

For the purpose of the Cooperation Restructuring, each of the Company and Poly Real Estate will undergo a corporate reorganisation within its group of companies whereby (i) the Hopefluent China Group will be formed with Hopefluent China being the holding company holding 95 companies all of which are engaged in the provision of primary and secondary real estate agency services or related services; and (ii) the Poly Consultancy Group will be formed with Poly Consultancy being the holding company holding 4 companies all of which are engaged in the provision of primary and secondary real estate agency services or related services.

LETTER FROM THE BOARD

Please refer to Appendix VI to this circular for details of the companies within the Hopefluent China Group and the Poly Consultancy Group.

For the real estate agency business integration and cooperation of the Company and Poly Real Estate, Poly Real Estate will inject its entire interests in the Poly Consultancy Group into Hopefluent China as capital contribution and in return obtain 43.9% of the entire equity interests in Hopefluent China, free of encumbrance and restriction on transfer. The percentage of equity interests in Hopefluent China to be issued to Poly Real Estate was determined based on the valuation of the Hopefluent China Group and the Poly Consultancy Group as at 31 January 2018 undertaken by the Independent Valuer as explained under the paragraph headed “The Cooperation Agreement — Valuation” below. Upon completion of the Cooperation Restructuring:

- (a) Hopefluent China will own the entire interests in the Poly Consultancy Group as well as the Hopefluent China Group; and
- (b) Hopefluent China will be owned as to 56.1% by Hopefluent HK and 43.9% by Poly Real Estate.

Following the completion of the Cooperation Restructuring, as Hopefluent China will be indirectly owned as to 56.1% by the Company, Hopefluent China will remain as a subsidiary of the Company.

The Company and Poly Real Estate will develop the primary and secondary real estate agency service businesses with Hopefluent China being the principal cooperating company.

Valuation

Pursuant to the provisions of the Cooperation Agreement, Hopefluent China will acquire the Poly Consultancy Group in consideration of which Hopefluent China will issue 43.9% of its entire equity interests (on a fully diluted basis) to Poly Real Estate.

Based on the valuation undertaken by the Independent Valuer using the market approach, (a) the valuation of the Hopefluent China Group as at 31 January 2018 was HK\$2.15 billion; and (b) the valuation of the Poly Consultancy Group as at 31 January 2018 was HK\$1.68 billion.

Based on the above valuation:

- (a) the value of the Poly Consultancy Group (i.e. HK\$1.68 billion as at 31 January 2018) is equivalent to approximately 43.9% of the total value of the Hopefluent China Group and the Poly Consultancy Group (i.e. HK\$3.83 billion as at 31 January 2018);
- (b) the parties have agreed that upon completion of the Cooperation Restructuring, the Company will own 56.1% of the entire equity interests in Hopefluent China while Poly Real Estate will own 43.9%;

LETTER FROM THE BOARD

- (c) the value of 43.9% of the entire equity interests in Hopefluent China after completion of the Cooperation Restructuring is approximately HK\$1.68 billion (with reference to the total value of the Hopefluent China Group and the Poly Consultancy Group as at 31 January 2018 which amounted to HK\$3.83 billion);
- (d) the value of 43.9% of the entire equity interests in Hopefluent China after completion of the Cooperation Restructuring (i.e. approximately HK\$1.68 billion) exceeds 43.9% of the aggregate unaudited net asset value of the Hopefluent China Group and the Poly Consultancy Group as at 31 December 2017 (i.e. approximately HK\$1.26 billion) by approximately HK\$420 million;
- (e) the acquisition by Hopefluent China of the Poly Consultancy Group will constitute a major acquisition of the Company; and
- (f) the issue of 43.9% of the entire equity interests in Hopefluent China to Poly Real Estate, which is regarded as a deemed disposal of the Company's interests in a subsidiary of the Company under Rule 14.29 of the Listing Rules, will constitute a major deemed disposal of the Company.

In addition to the valuation of the Hopefluent China Group and the Poly Consultancy Group conducted by the Independent Valuer, the Board had also taken into account other factors in considering the shareholding structure of Hopefluent China, in particular, the profitability of the Hopefluent China Group and the Poly Consultancy Group.

During the course of negotiation between the Company and Poly Real Estate, the Board had considered the financial results of the Hopefluent China Group and the Poly Consultancy Group for the year ended 31 December 2017, which, in the view of the Directors, reflect the latest business and financial performances of the two groups and therefore formed a more accurate basis for the parties to determine the shareholding structure of Hopefluent China.

The net profit after taxation of the Hopefluent China Group and the Poly Consultancy Group for the year ended 31 December 2017 amounted to approximately HK\$277,948,000 and HK\$213,019,000, respectively, representing approximately 56.6% and 43.4%, respectively, of the total net profit after taxation of the Hopefluent China Group and the Poly Consultancy Group for the year ended 31 December 2017 (i.e. approximately HK\$490,967,000). This is in line with the comparison of the valuation of the Hopefluent China Group and the Poly Consultancy Group conducted by the Independent Valuer, where the values of the Hopefluent China Group and the Poly Consultancy Group as at 31 January 2018 represent approximately 56.1% and 43.9%, respectively, of the total value of the Hopefluent China Group and the Poly Consultancy Group as at 31 January 2018 as illustrated above.

Further, according to the annual report of Poly Real Estate for the year ended 31 December 2017, Poly Real Estate had over 500 active property development projects for the year ended 31 December 2017, including about 200 projects which were commenced during that year. As disclosed in the aforesaid annual report, Poly Real Estate, being a real estate developer, will continue to maintain and develop its property development business. While a substantial portion of the revenue of the Poly Consultancy Group were derived from transactions with Poly Real Estate and its subsidiaries as disclosed under the paragraph headed

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“Information of Poly Real Estate and the Poly Consultancy Group” of this circular, after considering the current and expected business development of the property development business of Poly Real Estate and the preferential right granted by Poly Real Estate pursuant to the Cooperation Agreement as referred to under the paragraph headed “The Cooperation Agreement — Cooperation Restructuring — Preferential right” of this circular, the Board is of the view that the current income stream and operation scale of the Poly Consultancy Group could be maintained after completion of the Cooperation Restructuring.

Having considered the above, the Board is of the view that it is fair and reasonable to adopt the valuation conducted by the Independent Valuer for determining the shareholding structure of Hopefluent China.

Based on the valuation undertaken by the Independent Valuer using the market approach, (a) the valuation of the Hopefluent China Group as at 30 April 2018 was HK\$2.22 billion; and (b) the valuation of the Poly Consultancy Group as at 30 April 2018 was HK\$1.73 billion.

In the valuation of the Hopefluent China Group and the Poly Consultancy Group, the market approach was adopted and the guideline company method was applied in the valuation. In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to the Hopefluent China Group and the Poly Consultancy Group were calculated.

The Board has discussed with the Independent Valuer with regard to different valuation methodologies and approaches which might possibly be adopted for valuating the Hopefluent China Group and the Poly Consultancy Group, including without limitation the income approach and the cost approach. Having reviewed the key assumptions adopted by the Independent Valuer and considered (i) the characteristics and limitations of different valuation methodologies and approaches; (ii) the income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value; and (iii) the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, the Board is of the view, and the Independent Valuer concurs, that the market approach adopted in the valuation is fair and reasonable as it is the most direct valuation approach which reflects the values of the Hopefluent China Group and the Poly Consultancy Group as judged by the market.

Although only one comparable company other than the Group was selected by the Independent Valuer in the valuation of the Hopefluent China Group and the Poly Consultancy Group under the market approach, the Independent Valuer is of the view, and the Board concurs, that by selecting the most relevant comparable companies based on the selection criteria as set out under the paragraph headed “11. Valuation Parameters — Selection criteria of the comparable companies” of Appendix V to this circular, together with the exclusion of non-recurring and extraordinary items in the course of the valuation that help minimising the difference in financial results due to company-specific issues, the resulting price multiple adopted in the valuation under the market approach should represent the general performance of the companies in the same industry even if only one company other than the Group was

LETTER FROM THE BOARD

selected to be the comparable company in the valuation and, as confirmed by the Independent Valuer, such comparable analysis is in line with the generally accepted market practice in valuation.

For further details on the valuation of the Hopefluent China Group and the Poly Consultancy Group, including without limitation, the selection of valuation approach and the selection criteria of comparable companies under the market approach, please refer to the valuation report of the Hopefluent China Group and the Poly Consultancy Group set out in Appendix V to this circular.

Cooperation Restructuring

Conditions precedent

The obligation of the Company to complete the Cooperation Restructuring is subject to the fulfillment of, *inter alia*, the following conditions precedent:

- (a) a due diligence investigation on the assets, liabilities, business and prospect of the Poly Consultancy Group in legal, financial and business aspects by the Company having been completed to the satisfaction of the Company in its absolute discretion;
- (b) a due diligence investigation on the assets, liabilities, business and prospect of the Hopefluent China Group in legal, financial and business aspects by Poly Real Estate having been completed to the satisfaction of Poly Real Estate in its absolute discretion;
- (c) the Company and Poly Real Estate having obtained a valuation report, the contents and form of which are acceptable to the Company, issued by an independent valuer with local and international experience confirming the value of the entire equity interests of the Poly Consultancy Group being not less than HK\$1.68 billion;
- (d) the Company and Poly Real Estate having obtained a valuation report, the contents and form of which are acceptable to the Company, issued by an independent valuer with local and international experience confirming the value of the entire equity interests of the Hopefluent China Group being not less than HK\$2.15 billion;
- (e) the Company having obtained an audit report, the contents and form of which are acceptable to the Company, in respect of the Original PC Group for the three financial years ended 31 December 2017 prepared by a Hong Kong certified public accountant acceptable to the Company in accordance with Hong Kong accounting standards;
- (f) the board of directors and shareholders of Poly Consultancy having passed all necessary resolutions to approve the capital contribution by Poly Real Estate to Hopefluent China by way of injecting the entire equity interests of Poly Consultancy held by Poly Real Estate and in return obtaining 43.9% of the entire equity interests in Hopefluent China as contemplated under the Cooperation Agreement;

LETTER FROM THE BOARD

- (g) the board of directors and shareholders of Hopefluent China having passed all necessary resolutions to approve the capital contribution by Poly Real Estate to Hopefluent China by way of injecting the entire equity interests of Poly Consultancy held by Poly Real Estate and in return obtaining 43.9% of the entire equity interests in Hopefluent China as contemplated under the Cooperation Agreement;
- (h) all the representations and warranties set out in the Cooperation Agreement having remained true and accurate in all aspects as at the Capital Contribution Completion Date, which will have the effect as if the Cooperation Agreement has been re-entered into during the period from the date of the Cooperation Agreement to the Capital Contribution Completion Date;
- (i) all necessary resolutions of the Shareholders at the EGM to approve the terms and conditions of the Cooperation Agreement and the transactions contemplated thereunder (including without limitation the allotment and issue of the New Shares) having been obtained; and
- (j) all necessary resolutions of the board of directors of Poly Real Estate to approve the terms and conditions of the Cooperation Agreement and the transactions contemplated thereunder (including without limitation the subscription of the New Shares) having been obtained.

The parties to the Cooperation Agreement may from time to time waive in writing any of the conditions precedent set out above (except for those conditions in paragraphs (f), (g) (i) and (j)). If any of the above conditions precedent are not fulfilled or abandoned or waived prior to the later of 30 September 2018 or such other date to be agreed among the parties to the Cooperation Agreement in writing, the parties shall revise the above conditions precedent or otherwise negotiate specific proposals for the cooperation stated in the Cooperation Agreement in compliance with the Listing Rules, in order to facilitate the transactions contemplated under the Cooperation Agreement.

As at the Latest Practicable Date, the conditions precedent specified in subparagraphs (a), (b), (c), (d) and (g) above had been fulfilled and the parties to the Cooperation Agreement, as far as the Directors are aware, had no intention to waive any of the above conditions.

Completion

As soon as all the conditions precedent set out above are satisfied or waived, the parties to the Cooperation Agreement will proceed to the completion of the Cooperation Restructuring, including:

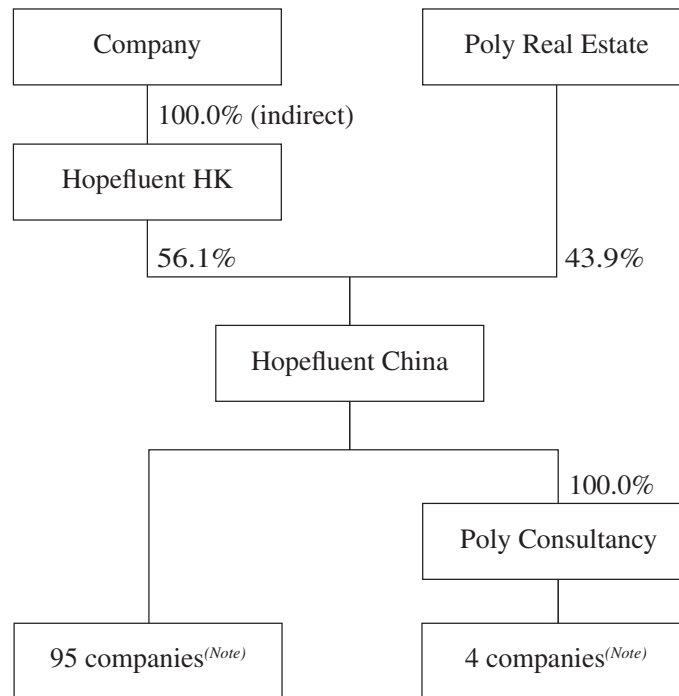
- (1) Hopefluent China applying for and obtaining the approval from the competent commerce authority for conducting centralised reporting of business operators in respect of the entire equity interests of Poly Consultancy acquired by Hopefluent China as contemplated under the Cooperation Agreement;

LETTER FROM THE BOARD

- (2) Poly Real Estate applying for the consent, approval, waiver and authorisation from the relevant state-owned assets supervision and management authorities for the capital contribution to Hopefluent China by way of injecting the entire equity interests in Poly Consultancy held by it and in return acquiring 43.9% of the entire equity interests in Hopefluent China, and the subscription of the New Shares; and
- (3) procuring Hopefluent China to set up a board of directors; the board of directors will consist of nine directors, each with a term of office of three years and subject to re-election; Hopefluent HK is entitled to nominate five directors and Poly Real Estate is entitled to nominate four directors; and the chairman of the first board of directors will be nominated by Hopefluent HK.

Corporate structure

The corporate structure of Hopefluent China immediately after completion of the Cooperation Restructuring is as follows:



Note: Please refer to Appendix VI to this circular for details of the companies.

Dividend distribution

The parties to the Cooperation Agreement agreed that after the execution of the Cooperation Agreement and prior to the issue of 43.9% of the entire equity interests in Hopefluent China to Poly Real Estate, each of Hopefluent China and Poly Consultancy is entitled to distribute in cash its distributable profits as at 31 January 2018 to its respective shareholder (namely, Hopefluent HK and Poly Real Estate, respectively) according to the schedule and conditions of the distribution arrangement agreed between the parties, considering, among others, the availability of cash and the settlement status of receivables of

LETTER FROM THE BOARD

Hopefluent China and Poly Consultancy. The aggregate maximum amount of dividend that can be distributed in cash by Hopefluent China to Hopefluent HK is RMB800,000,000 and that by Poly Consultancy to Poly Real Estate is RMB340,000,000, which was determined with reference to the amount of retained earnings of each of Hopefluent China and Poly Consultancy as at 31 December 2017 which was distributable to its shareholder.

The Board considers that the dividend distribution arrangement is fair and reasonable as it allows the Company to keep the retained earnings of Hopefluent China within the Enlarged Group which were generated prior to the Cooperation Restructuring. Further, the above dividend distribution arrangement does not affect the valuation of the Hopefluent China Group and the Poly Consultancy Group as disclosed in this circular as the valuation undertaken by the Independent Valuer did not rely on the asset value of the Hopefluent China Group and the Poly Consultancy Group and the Independent Valuer had taken into account the effect of such dividend distribution arrangement, if any, on the valuation of the Hopefluent China Group and the Poly Consultancy Group.

Preferential right

Poly Real Estate has undertaken to the Group that after completion of the Cooperation Restructuring, for those property development projects effectively controlled by Poly Real Estate, Poly Real Estate will continue to engage property agents for selling the properties thereof, and the Poly Consultancy Group or the Hopefluent China Group will have the preferential rights to be engaged as property agents for such property development projects on the same commercial terms.

Issue of the New Shares

Conditions precedent

The obligation of the Company to allot and issue the New Shares to Poly Real Estate (or its nominee) is subject to the fulfillment of, *inter alia*, the following conditions precedent:

- (a) Hopefluent China having completed the procedures for the amendments to the commerce and industry registrations and record-filing in respect of the change of foreign invested enterprises in relation to the capital increase;
- (b) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the New Shares;
- (c) Poly Real Estate or its designated associates having obtained all necessary government consents, approvals, waivers or authorisations for the subscription of New Shares; and
- (d) all warranties set out in the Cooperation Agreement remaining true and correct in all aspects on the date of allotment and issue of the New Shares, which shall have the effect as if the Cooperation Agreement has been re-entered into during the period from the date of execution of the Cooperation Agreement to the date of allotment and issue of the New Shares.

LETTER FROM THE BOARD

The Company and Poly Real Estate may from time to time waive in writing any of the conditions precedent set out above (except for the condition in paragraph (b)).

As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled and the Company and Poly Real Estate, as far as the Directors are aware, had no intention to waive any of the above conditions.

Completion

Subject to the satisfaction or waiver of all the conditions precedent set out above, Poly Real Estate will, within seven Business Days (or such other date to be agreed between the parties to the Cooperation Agreement) after the satisfaction or waiver of all the conditions precedent, pay the subscription monies in a total sum of HK\$151,200,000 to the Company for subscription of the New Shares. Upon payment of the subscription monies by Poly Real Estate, the Company will allot and issue the New Shares to Poly Real Estate (or its nominee).

New Shares

The New Shares will be allotted and issued to Poly Real Estate (or its nominee) at an issue price of HK\$4.20 per New Share, which was determined after arm's length negotiations between the Company and Poly Real Estate with reference to the net asset value of the Company and the market price of the Shares on the date the framework agreement in relation to, among others, the Cooperation Restructuring was entered into between the Company and Poly Real Estate (i.e. 29 January 2018), which represents:

- (a) a premium of approximately 21.74% to the closing price of HK\$3.45 per Share as quoted on the Stock Exchange on the date of the Cooperation Agreement;
- (b) a premium of approximately 19.66% to the average closing price of approximately HK\$3.51 per Share as quoted on the Stock Exchange on the last five trading days immediately prior to the date of the Cooperation Agreement;
- (c) a premium of approximately 20.69% to the closing price of HK\$3.48 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a discount of approximately 0.94% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$4.24 as at 31 December 2017.

The aggregate nominal value of the New Shares is HK\$360,000. The New Shares represent approximately 5.39% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.11% of the issued share capital of the Company as enlarged by the issue of the New Shares. The New Shares, when issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue and free and clear of any pledge, loan, encumbrance and restriction on transfer.

The New Shares will be allotted and issued under the Specific Mandate. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE ALLOTMENT AND ISSUE OF THE NEW SHARES

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$80,000,000 divided into 8,000,000,000 Shares of HK\$0.01 each and 667,998,808 Shares fully paid up Shares were in issue. There were no outstanding convertible securities issued or options granted which carried rights to acquire Shares as at the Latest Practicable Date.

Details of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the New Shares, assuming that there are no other changes in the share capital of the Company, are set out below:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the New Shares	
	No. of Shares	Approximately %	No. of Shares	Approximately %
Fu's Family Limited (Note 1)	174,184,799	26.08	174,184,799	24.74
China-net Holding Ltd. (Note 2)	47,718,000	7.14	47,718,000	6.78
Fu Wai Chung	26,984,334	4.04	26,984,334	3.83
Ng Wan (Note 3)	6,176,334	0.92	6,176,334	0.88
Poly Real Estate (or its nominee)	—	—	36,000,000	5.11
Other Shareholders	<u>412,935,341</u>	<u>61.82</u>	<u>412,935,341</u>	<u>58.66</u>
	<u>667,998,808</u>	<u>100.00</u>	<u>703,998,808</u>	<u>100.00</u>

Notes:

1. Fu's Family Limited is a company incorporated under the laws of the British Virgin Islands and is legally and beneficially owned as to 70% by Mr. Fu Wai Chung, the chairman of the Board and an executive Director; 15% by Ms. Ng Wan, the spouse of Mr. Fu Wai Chung and an executive Director; and 15% by Ms. Fu Man, sister of Mr. Fu Wai Chung and an executive Director.
2. China-net Holding Ltd. is a company incorporated under the laws of the British Virgin Islands and is legally, beneficially and wholly owned by Mr. Fu Wai Chung, the chairman of the Board and an executive Director.
3. Ms. Ng Wan is the spouse of Mr. Fu Wai Chung and an executive Director.

The allotment and issue of the New Shares will not result in a change in control of the Company.

LETTER FROM THE BOARD

INFORMATION OF POLY REAL ESTATE AND THE POLY CONSULTANCY GROUP

Poly Real Estate is a joint stock company incorporated in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange (stock code: 600048) and, together with its subsidiaries, is principally engaged in real estate businesses. As at the date of the Cooperation Agreement, Poly Consultancy is wholly-owned by Poly Real Estate.

Poly Consultancy is a company established in the PRC with limited liability on 22 March 2001 with a fully paid-up registered capital of RMB50,000,000 as at the date of the Cooperation Agreement. It is principally engaged in real estate agency and consultancy services.

For the purpose of the Cooperation Restructuring, Poly Real Estate will undergo an internal corporate reorganisation within its group of companies whereby the Poly Consultancy Group will be formed with Poly Consultancy being the holding company holding 4 companies all of which are engaged in the provision of primary and secondary real estate agency services or related services.

Please refer to part B of Appendix VI to this circular for details of the companies within the Poly Consultancy Group.

The unaudited net asset value of the Poly Consultancy Group was approximately HK\$920,328,000 as at 31 December 2017. The unaudited net profit attributable to the Poly Consultancy Group for the two years ended 31 December 2016 and 2017 were as follows:

	For the year ended	
	31 December	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net profit before taxation	370,478	281,390
Net profit after taxation	277,174	213,019

Prior to the internal corporate reorganisation as described above, Poly Consultancy is the parent company of the Original PC Group, which comprises of the companies within the Poly Consultancy Group and Poly Micro Credit Finance, a company principally engaged in money lending business in the PRC and owned as to 30.0% by Poly Consultancy prior to the internal corporate reorganisation, with its unaudited net assets value amounted to approximately HK\$266,964,000 as at 31 December 2017 and unaudited net profit after taxation amounted to approximately HK\$10,457,000 and HK\$16,507,000 for the two years ended 31 December 2016 and 2017, respectively. Immediately after completion of the internal corporate reorganisation as described above, Poly Consultancy will cease to hold any interest in Poly Micro Credit Finance and Poly Micro Credit Finance will not form part of the Poly Consultancy Group.

LETTER FROM THE BOARD

The audited net asset value of the Original PC Group was approximately HK\$920,328,000 as at 31 December 2017. The audited net profit attributable to the Original PC Group for the two years ended 31 December 2016 and 2017 were as follows:

	For the year ended	
	31 December	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before taxation	373,615	286,342
Net profit after taxation	280,311	217,971

As disclosed on page II-34 of Appendix II to this circular, the turnover of the Original PC Group attributable to the immediate holding company which had been regarded as related party transactions of the Original PC Group for each of the three years ended 31 December 2017 amounted to approximately HK\$738,645,000, HK\$679,112,000 and HK\$937,689,000, respectively, representing approximately 83.2%, 45.2% and 92.8% of the total turnover of the Original PC Group for each of the three years ended 31 December 2017. Such turnover attributable to the immediate holding company were principally derived from the provision of real estate agency services by the Original PC Group to the primary real estate development projects of Poly Real Estate and its subsidiaries.

INFORMATION OF THE COMPANY AND THE HOPEFLUENT CHINA GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of real estate agency services, property management services and financial services in the PRC. The Group mainly operates through four segments. The primary real estate agency segment of the Group is engaged in the provision of first-hand property services to property developers. The secondary real estate agency segment of the Group is engaged in the provision of secondary property services. The financial services segment of the Group is engaged in the provision of mortgage referral and loan financing services to individuals or companies. The property management segment of the Group is engaged in the provision of building management services to property owners and residents.

Hopefluent China is a company established in the PRC with limited liability on 31 July 2001 with a fully paid-up registered capital of HK\$75,000,000 as at the date of the Cooperation Agreement. It is principally engaged in real estate consultancy and agency services.

For the purpose of the Cooperation Restructuring, the Company will undergo an internal corporate reorganisation within its group of companies whereby the Hopefluent China Group will be formed with Hopefluent China being the holding company holding 95 companies all of which are engaged in the provision of primary and secondary real estate agency services or related services.

Please refer to part A of Appendix VI to this circular for details of the companies within the Hopefluent China Group.

LETTER FROM THE BOARD

The unaudited net asset value of the Hopefluent China Group was approximately HK\$1,960,487,000 as at 31 December 2017. The unaudited net profit attributable to the Hopefluent China Group for the two years ended 31 December 2016 and 2017 were as follows:

	For the year ended	
	31 December	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net profit before taxation	329,525	394,975
Net profit after taxation	234,724	277,948

REASONS FOR ENTERING INTO THE COOPERATION AGREEMENT

It is expected that the consolidation of the real estate agency business of the Company and Poly Real Estate could allow the two groups of companies to cooperate with each other to further develop and expand their primary and secondary real estate agency service business in the PRC.

The Company and Poly Real Estate will cooperate to enhance the core competitiveness of Hopefluent China by contributing their respective quality resources and establish Hopefluent China as a leading enterprise in the real estate agency service sector of the PRC. Upon completion of the Cooperation Restructuring, the primary and secondary real estate agency businesses of the Company and Poly Real Estate will be exclusively operated by Hopefluent China. Both the Company and Poly Real Estate, including entities under their respective control, will not invest in other entities engaged in primary and secondary real estate agency businesses or operate any business similar to that of Hopefluent China unless such businesses are operated by Hopefluent China. The Board is of the view that the exclusive operation of primary and secondary real estate agency businesses by Hopefluent China would allow the Company to fully utilise and take advantage of the sales network, experience and resources of both the Hopefluent China Group and the Poly Consultancy Group and would facilitate Hopefluent China, being the exclusive vehicle of both the Company and Poly Real Estate for operating primary and secondary real estate agency businesses, in maintaining and expanding its market share in such businesses in the PRC. Further, such arrangement would prevent competition in real estate agency businesses between the Company and Poly Real Estate. The exclusive operation arrangement would assist the Hopefluent China Group and the Poly Consultancy Group in formulating a mutual development plan of their real estate agency businesses and exploiting all future opportunities in real estate agency businesses to be encountered by the Company and Poly Real Estate for the benefit of both the Hopefluent China Group and the Poly Consultancy Group, and any separate operation of real estate agency businesses by either the Company or Poly Real Estate would defeat the purpose of the cooperation between the parties. Considering the above, the Board is of the view that such exclusive operation arrangement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Upon completion of the Cooperation Restructuring, Hopefluent China will enjoy preferential rights to be engaged as the real estate agent for the property development projects effectively controlled by Poly Real Estate. The Directors believe that such rights could improve the operating and financial performance and position of the Group. Through the real estate agency business consolidation between the Company and Poly Real Estate, the Directors further believe that Hopefluent China will provide solid business growth to the Group.

Based on the reasons mentioned above, the Directors are of the view that the terms and conditions of the Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE COOPERATION RESTRUCTURING

Financial effects of the acquisition of the Poly Consultancy Group by Hopefluent China

Upon completion of the acquisition of the Poly Consultancy Group by Hopefluent China, Poly Consultancy will become a subsidiary of the Company and the financial results of the Poly Consultancy Group will be consolidated into the consolidated financial statements of the Group.

As disclosed in the annual report of the Company for the year ended 31 December 2017, the audited consolidated total assets and liabilities of the Company were approximately HK\$4,415,994,000 and HK\$1,557,690,000, respectively. As set out in Appendices II and III to this circular, the audited consolidated total assets and liabilities of the Original PC Group as at 31 December 2017 were approximately HK\$1,297,489,000 and HK\$337,026,000, respectively, and the unaudited pro forma consolidated total assets and pro forma consolidated total liabilities of the Enlarged Group will be HK\$5,604,479,000 and HK\$1,990,524,000 respectively.

The financial effects of the acquisition of the Poly Consultancy Group by Hopefluent China are set out in Appendix III to this circular and as follows:

- (a) As of 31 December 2017, the audited consolidated total assets of the Company amounted to approximately HK\$4,415,994,000. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would have increased to approximately HK\$5,604,479,000.
- (b) As of 31 December 2017, the audited consolidated total liabilities of the Company amounted to approximately HK\$1,557,690,000. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have increased to approximately HK\$1,990,524,000.

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- (c) As of 31 December 2017, the audited consolidated net assets of the Company amounted to approximately HK\$2,858,304,000. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated net assets of the Enlarged Group would have increased to approximately HK\$3,613,955,000.

Please refer to Appendix III to this circular for more details of the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereon.

While there is no immediate material impact on earnings of the Group, after the completion of the acquisition of the Poly Consultancy Group by Hopefluent China, profit/loss after tax of the Poly Consultancy Group will be consolidated into the Group's financial statements.

Financial effects of the issue of 43.9% of the entire equity interests in Hopefluent China

Immediately following the issue of 43.9% of the entire equity interests in Hopefluent China to Poly Real Estate, the equity interests in Hopefluent China held by Hopefluent HK (a wholly-owned subsidiary of the Company) will be diluted from 100.0% to approximately 56.1%. Notwithstanding such dilution, Hopefluent China will remain as a subsidiary of the Company and its financial results, assets, liabilities and cash flows will continue to be consolidated into the Company's consolidated financial statements. As the issue of 43.9% of the entire equity interests in Hopefluent China will not result in the Company's loss of control over Hopefluent China, such issue, which constitutes a deemed disposal of equity interests in Hopefluent China by the Company under Rule 14.29 of the Listing Rules, will not result in the recognition of any gain or loss by the Company according to the Hong Kong Financial Reporting Standards.

As part of the Cooperation Restructuring, the Group does not receive any cash proceeds as a result of the issue of 43.9% of the entire equity interests in Hopefluent China pursuant to the terms and conditions of the Cooperation Agreement.

REASONS FOR THE ALLOTMENT AND ISSUE OF THE NEW SHARES AND USE OF PROCEEDS

The Directors consider that the allotment and issue of the New Shares to Poly Real Estate (or its nominee) will enhance the cooperation between the Group and Poly Real Estate as contemplated under the Cooperation Agreement. The allotment and issue of the New Shares to Poly Real Estate (or its nominee) also tie its interest to the performance of the Group, in particular, Hopefluent China, after completion of the Cooperation Restructuring which serves as an incentive to Poly Real Estate to create value in the business of Hopefluent China. Based on the reasons mentioned above, the Directors are of the view that the allotment and issue of the New Shares to Poly Real Estate (or its nominee) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the subscription of the New Shares by Poly Real Estate (or its nominee) are HK\$151,200,000. The net proceeds from the subscription of the New Shares (after deducting all fees, costs and expenses properly incurred by the Company in connection

LETTER FROM THE BOARD

with the allotment and issue of the New Shares) are expected to be approximately HK\$146,000,000. The net subscription price, after deducting such fees, costs and expenses, is therefore approximately HK\$4.06 per New Share.

The Company intends to use the net proceeds from the subscription of the New Shares for the following purposes:

- (a) as to approximately HK\$50,000,000, will be used for increasing headcount and expanding existing sales network of the primary real estate agency business;
- (b) as to approximately HK\$50,000,000, will be used for increasing headcount and expanding existing sales network of the secondary real estate agency business; and
- (c) as to approximately HK\$46,000,000, will be used for general working capital of the Group, such as administrative, salary and office rental expenses, as well as for any future investment or acquisition opportunity that may arise.

As at the Latest Practicable Date, the Company had not identified any target for acquisition and did not have any concrete investment plan.

FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

The Company has not conducted any other fund raising exercise in the past twelve months immediately before the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the acquisition of the Poly Consultancy Group by Hopefluent China pursuant to the provisions of the Cooperation Agreement is higher than 25% but below 100%, the acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the issue of 43.9% of the entire equity interests in Hopefluent China pursuant to the provisions of the Cooperation Agreement is higher than 25% but below 75%, the issue of 43.9% of the entire equity interests in Hopefluent China constitutes a major deemed disposal of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

POTENTIAL CONTINUING CONNECTED TRANSACTIONS

Upon completion of the Cooperation Restructuring, Poly Real Estate will own 43.9% of the entire equity interests in Hopefluent China, an indirect non-wholly owned subsidiary of the Company, and thereby will become a connected person of the Company. As such, any transaction between Poly Real Estate and Hopefluent China or any of its subsidiaries will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In particular, as at the Latest Practicable Date, Poly Real Estate had certain ongoing

LETTER FROM THE BOARD

transactions with the Poly Consultancy Group, including, among others, (i) engagement by Poly Real Estate and its subsidiaries of the Poly Consultancy Group as property agents, (ii) lease of office by Poly Real Estate and its subsidiaries to the Poly Consultancy Group, and (iii) property management services provided by Poly Real Estate and its subsidiaries to the Poly Consultancy Group. The aforesaid ongoing transactions will become continuing connected transactions of the Company upon completion of the Cooperation Restructuring. Further, the Hopefluent China Group also had certain real estate agency business transactions with Poly Real Estate and its subsidiaries as disclosed under the paragraph headed “The Cooperation Agreement — Parties” of this circular.

For the year ended 31 December 2017, the revenue of the Hopefluent China Group and the Poly Consultancy Group derived from transactions with Poly Real Estate and its subsidiaries amounted to approximately HK\$64,001,000 and HK\$937,689,000, respectively. For illustration purpose only, the aggregate revenue of the Hopefluent China Group and the Poly Consultancy Group derived from transactions with Poly Real Estate and its subsidiaries, which would be considered as continuing connected transactions of the Company if they occur after completion of the Cooperation Restructuring, amounted to approximately 20.0% of the total revenue (net of business tax and other taxes) of the Hopefluent China Group and the Poly Consultancy Group (based on the total revenue of the Hopefluent China Group and the Poly Consultancy Group for the year ended 31 December 2017 of approximately HK\$5,003,933,000). Having considered that (a) the proportion of the revenue derived from the transactions with Poly Real Estate and its subsidiaries is about one-fifth only; (b) it is not the intention of the parties to focus on the development of the real estate agency business transactions between the Enlarged Group and Poly Real Estate and its subsidiaries after completion of the Cooperation Restructuring; and (c) Hopefluent China would have sufficient sales network and resources in developing its real estate agency businesses with other parties without relying on Poly Real Estate and its subsidiaries, the Board is of the view that there would not be any over-reliance by Hopefluent China on the aforesaid potential continuing connected transactions with Poly Real Estate and its subsidiaries, and the said potential continuing connected transactions would not be considered as material to the Company in the sense that Hopefluent China would still be able to maintain and develop its real estate agency businesses even if the said potential continuing connected transactions have ceased.

The Company will make further announcement(s) in respect of any continuing connected transaction pursuant to the Listing Rules if and when necessary.

EGM

The New Shares will be allotted and issued under the Specific Mandate.

The notice convening the EGM to be held at Admiralty and The Peak, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 19 July 2018 (Thursday) at 3:30 p.m. is set out on pages EGM-1 to EGM-2 of this circular. An ordinary resolution will be proposed to the Shareholders at the EGM to consider and, if thought fit, approve, among other things, the Cooperation Agreement and the transactions contemplated

LETTER FROM THE BOARD

thereunder. The votes on the resolution proposed to be approved at the EGM will be taken by poll and an announcement on the poll vote result will be made by the Company after the EGM on the results of the EGM.

A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A form of proxy for use at the EGM is accompanied with this circular. A proxy need not be a member of the Company. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has material interest in the Cooperation Agreement and therefore, no Shareholder would be required to abstain from voting at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors consider that the transactions contemplated under the Cooperation Agreement and the proposed grant of the Specific Mandate to allot and issue the New Shares are fair and reasonable, in the interests of the Company and the Shareholders as a whole and are for the benefits of the Shareholders, and accordingly, recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the proposed grant of the Specific Mandate to allot and issue the New Shares and the transactions contemplated under the Cooperation Agreement.

Yours faithfully,
By order of the Board
Hopefluent Group Holdings Limited
Fu Wai Chung
Chairman

A. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 together with the notes are disclosed in pages 34 to 85 of the annual report of the Company for the year ended 31 December 2015, pages 42 to 99 of the annual report of the Company for the year ended 31 December 2016, and pages 44 to 99 of the annual report of the Company for the year ended 31 December 2017, respectively.

The said annual reports of the Company are available on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.hopefluent.com/>).

Please refer to the hyperlinks as stated below:

Annual report of the Company for the year ended 31 December 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428333.pdf>

Annual report of the Company for the year ended 31 December 2016:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0425/LTN20170425331.pdf>

Annual report of the Company for the year ended 31 December 2017:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0425/LTN20180425505.pdf>

B. STATEMENT OF INDEBTEDNESS

At the close of business on 30 April 2018, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding indebtedness and contingent liabilities as follows:

(i) Bank and other borrowings

The Enlarged Group had outstanding bank borrowings of approximately HK\$80 million, comprising secured and unguaranteed bank borrowings of approximately HK\$31 million and unsecured and guaranteed bank borrowings of approximately HK\$49 million. The secured bank borrowings were secured by the Enlarged Group's property, plant and equipment. The Enlarged Group also had outstanding other borrowings of approximately HK\$765 million, all of which were unsecured and unguaranteed.

(ii) Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 30 April 2018, being the latest practicable date for the purpose of this statement of indebtedness, any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

D. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the transactions as contemplated under the Cooperation Agreement, the internal resources available to the Enlarged Group and the available credit facility, the Enlarged Group will have sufficient working capital for at least 12 months from the date of this circular.

E. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of real estate agency services, property management services and financial services in the PRC. The Group mainly operates through four segments. The primary real estate agency segment of the Group is engaged in the provision of first-hand property services to property developers. The secondary real estate agency segment of the Group is engaged in the provision of secondary property services. The financial services segment of the Group is engaged in the provision of mortgage referral and loan financing services to individuals or companies. The property management segment of the Group is engaged in the provision of building management services to property owners and residents.

As disclosed in the annual report of the Company for the year ended 31 December 2017, revenue of the Group amounted to approximately HK\$4,672 million for the year ended 31 December 2017. Net profit after taxation for the year ended 31 December 2017 was approximately HK\$342 million. Total assets and total equity amounted to approximately HK\$4,416 million and HK\$2,858 million, respectively as at 31 December 2017.

Following completion of the Cooperation Restructuring, the Enlarged Group will continue to be principally engaged in the provision of real estate agency services, property management services and financial services in the PRC. The Board believes that the Cooperation Restructuring will allow the Enlarged Group to better and fully seize the business opportunities emerging from industry consolidation. Capitalising on the rich industry experience of the parties, the Board also believes that the Cooperation Restructuring can strengthen the reputation, recognition and reach of the Enlarged Group's brand, thus enhancing its competitive edge in various cities and provinces. The Cooperation Restructuring can also strengthen the Enlarged Group's business and allow the Enlarged Group to continue to generate stable income and maintain its growth.

The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOPEFLUENT GROUP HOLDINGS LIMITED

INTRODUCTION

We report on the historical financial information of Poly Real Estate Investment Consultancy Co., Ltd. ("**Poly Consultancy**") and its subsidiaries (together, the "**Original PC Group**") set out on pages II-3 to II-37, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-3 to II-37 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Hopefluent Group Holdings Limited (the "**Company**") dated 22 June 2018 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest in the Original PC Group.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Original PC Group's financial position as at 31 December 2015, 2016 and 2017 and of the Original PC Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock
Exchange of Hong Kong Limited****ADJUSTMENTS**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

BDO Limited

Certified Public Accountants

Amy Yau Shuk Yuen

Practising Certificate No. P06095

Hong Kong, 22 June 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE ORIGINAL PC GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Original PC Group for the Track Record Period, on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) (the “**Underlying Financial Statements**”). The Underlying Financial Statements were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand (**HK\$'000**) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	<i>Notes</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Turnover	6	887,453	1,501,227	1,010,482
Other income, net	8	3,358	4,450	5,607
Change in fair value of investment properties	14	—	661	658
Selling expenses		(524,770)	(1,083,470)	(668,809)
Administrative expenses		(40,133)	(52,590)	(66,587)
Share of results of associates	16	<u>(78)</u>	<u>3,337</u>	<u>4,991</u>
Profit before tax	9	325,830	373,615	286,342
Income tax expense	10	<u>(80,894)</u>	<u>(93,304)</u>	<u>(68,371)</u>
Profit for the year		<u>244,936</u>	<u>280,311</u>	<u>217,971</u>
Other comprehensive income				
<i>Item that will not be reclassified to profit or loss:</i>				
Exchange differences arising on translation to presentation currency		<u>(34,675)</u>	<u>(43,554)</u>	<u>63,337</u>
Total comprehensive income for the year		<u>210,261</u>	<u>236,757</u>	<u>281,308</u>
Profit for the year attributable to:				
Owners of Poly Consultancy		244,936	280,311	214,160
Non-controlling interests		<u>—</u>	<u>—</u>	<u>3,811</u>
		<u>244,936</u>	<u>280,311</u>	<u>217,971</u>
Total comprehensive income attributable to:				
Owners of Poly Consultancy		210,261	236,757	276,467
Non-controlling interests		<u>—</u>	<u>—</u>	<u>4,841</u>
		<u>210,261</u>	<u>236,757</u>	<u>281,308</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets				
Investment properties	14	—	14,637	16,850
Property, plant and equipment	15	21,320	23,078	27,993
Interests in associates	16	70,930	73,943	86,732
Deferred tax assets	22	377	818	1,648
		<u>92,627</u>	<u>112,476</u>	<u>133,223</u>
Current assets				
Other receivables and prepayments	17	2,735	6,186	12,136
Amount due from immediate holding company	18	283,972	715,035	451,444
Amounts due from fellow subsidiaries	18	287,661	307,376	406,485
Amounts due from associates	18	—	35	6
Amounts due from related companies	18	—	8,105	17,302
Bank balances and cash	19	284,111	302,519	276,893
		<u>858,479</u>	<u>1,339,256</u>	<u>1,164,266</u>
Current liabilities				
Payables and accruals	20	182,428	411,766	169,965
Tax liabilities		<u>129,221</u>	<u>163,752</u>	<u>167,061</u>
		<u>311,649</u>	<u>575,518</u>	<u>337,026</u>
Net current assets		<u>546,830</u>	<u>763,738</u>	<u>827,240</u>
Total assets less current liabilities		<u>639,457</u>	<u>876,214</u>	<u>960,463</u>
Capital and reserves				
Share capital	21	61,588	61,588	61,588
Reserves		<u>577,869</u>	<u>814,626</u>	<u>858,740</u>
Equity attributable to owners of Poly Consultancy		639,457	876,214	920,328
Non-controlling interests		<u>—</u>	<u>—</u>	<u>40,135</u>
Total equity		<u>639,457</u>	<u>876,214</u>	<u>960,463</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Attributable to owners of Poly Consultancy					Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Statutory surplus reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000				
At 1 January 2015	12,808	6,404	(3,274)	413,258	429,196	—	429,196	
Other comprehensive expense for the year:								
Exchange differences on translation to presentation currency	—	—	(34,675)	—	(34,675)	—	(34,675)	
Profit for the year	—	—	—	244,936	244,936	—	244,936	
Total comprehensive income for the year	—	—	(34,675)	244,936	210,261	—	210,261	
Issuance of shares	21 48,780	—	—	—	48,780	—	48,780	
Dividends declared in respect of the previous year	13 —	—	—	(48,780)	(48,780)	—	(48,780)	
Transfer	—	16,538	—	(16,538)	—	—	—	
At 31 December 2015	61,588	22,942	(37,949)	592,876	639,457	—	639,457	
Other comprehensive expense for the year:								
Exchange differences on translation to presentation currency	—	—	(43,554)	—	(43,554)	—	(43,554)	
Profit for the year	—	—	—	280,311	280,311	—	280,311	
Total comprehensive income for the year	—	—	(43,554)	280,311	236,757	—	236,757	
Transfer	—	7,401	—	(7,401)	—	—	—	
At 31 December 2016	61,588	30,343	(81,503)	865,786	876,214	—	876,214	
Other comprehensive income for the year:								
Exchange differences on translation to presentation currency	—	—	62,307	—	62,307	1,030	63,337	
Profit for the year	—	—	—	214,160	214,160	3,811	217,971	
Total comprehensive income for the year	—	—	62,307	214,160	276,467	4,841	281,308	
Capital injection from non- controlling interests	—	—	—	—	—	35,294	35,294	
Dividends declared in respect of the previous year	13 —	—	—	(232,353)	(232,353)	—	(232,353)	
At 31 December 2017	61,588	30,343	(19,196)	847,593	920,328	40,135	960,463	

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
OPERATING ACTIVITIES				
Profit before tax		325,830	373,615	286,342
Adjustments for:				
Interest income	8	(2,883)	(3,862)	(5,083)
Depreciation	9	1,644	2,065	2,853
Share of results of associates		78	(3,337)	(4,991)
Loss (gain) on disposal of property, plant and equipment	8	2	(62)	17
Change in fair value of investment properties	14	—	(661)	(658)
Operating cash flows before movements in working capital		<u>324,671</u>	<u>367,758</u>	<u>278,480</u>
Decrease (increase) in other receivables and prepayments		1,890	(3,708)	(5,408)
Increase (decrease) in payables and accruals		101,724	246,412	(266,600)
(Increase) decrease in amount due from immediate holding company		(101,433)	(456,783)	85,041
Increase in amounts due from fellow subsidiaries		<u>(158,357)</u>	<u>(39,735)</u>	<u>(75,663)</u>
Cash generated from operations		168,495	113,944	15,850
PRC income tax paid		<u>(43,331)</u>	<u>(82,292)</u>	<u>(82,503)</u>
Net cash generated from (used in) operating activities		<u>125,164</u>	<u>31,652</u>	<u>(66,653)</u>
INVESTING ACTIVITIES				
Interest received		2,883	3,862	5,083
Purchases of property, plant and equipment		(9,695)	(5,132)	(6,073)
Proceeds from disposal of property, plant and equipment		28	95	4
Acquisition of investment in an associate		(71,006)	(3,731)	(2,395)
Purchase of investment properties		—	(13,994)	(483)
(Advance to) repayment from associates		—	(36)	31
Advance to related companies		<u>—</u>	<u>(8,337)</u>	<u>(8,462)</u>
Net cash used in investing activities		<u>(77,790)</u>	<u>(27,273)</u>	<u>(12,295)</u>

	<i>Notes</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
FINANCING ACTIVITY				
Capital contribution from non-controlling interests		—	—	35,294
Net cash generated from financing activity		—	—	35,294
Net increase (decrease) in cash and cash equivalents		47,374	4,379	(43,654)
Cash and cash equivalents at the beginning of the year		289,430	284,111	302,519
Effect of foreign exchange rate changes		(52,693)	14,029	18,028
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<i>19</i>	<u>284,111</u>	<u>302,519</u>	<u>276,893</u>

Major non-cash transactions:

- (i) During the year ended 31 December 2015, the dividend payable to the Owners of Poly Consultancy was settled by the issue of shares which amounted to HK\$48,780,000.
- (ii) During the year ended 31 December 2017, the dividend payable to the Owners of Poly Consultancy was settled through offsetting the amount due from immediate holding company.

NOTES TO HISTORICAL FINANCIAL INFORMATION**1. INFORMATION ABOUT THE ORIGINAL PC GROUP**

Poly Real Estate Investment Consultancy Co., Ltd. (“**Poly Consultancy**”) was established in the People’s Republic of China (the “**PRC**”) as a limited liability company on 22 March 2001. Its registered office and the principal place of business activities is located at 12/F, North Tower, Poly International Plaza, 688th Yue Jiang Middle Road, Haizhu District, Guangzhou City, Guangdong Province, China. The principal activity of the Original PC Group during the Track Record Period was provision of real estate agency services.

In the opinion of the directors of Poly Consultancy, the immediate holding company is Poly Real Estate Group Co., Ltd., a company established in the PRC and the ultimate holding company is China Poly Group Corporation, a stated-owned enterprise established in the PRC, throughout the Track Record Period.

2. BASIS OF PREPARATION**(a) Basis of preparation**

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 which conform with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

The Historical Financial Information has been prepared under the historical cost basis, except for investment properties which have been measured at fair value.

(b) Functional and presentation currency

The Historical Financial Information are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The functional currency of the Original PC Group is Renminbi (“**RMB**”). As the presentation currency of Hopefluent Group Holdings Limited (the “**Company**”) is Hong Kong dollars, the directors of the Company consider it will be more appropriate to adopt Hong Kong dollars as the Original PC Group’s presentation currency.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been adopted by the Original PC Group in the preparation of the Historical Financial Information throughout the Track Record Period.

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Original PC Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Original PC Group. The Original PC Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 16	Leases ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

1. Effective for annual periods beginning on or after 1 January 2018
2. Effective for annual periods beginning on or after 1 January 2019
3. The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell

the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Amendments to HKAS 40, Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met — instead of at FVTPL.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Original PC Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new pronouncements would have a significant impact on the Original PC Groups' financial position and performance.

4. SIGNIFICANT ACCOUNTING POLICIES

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Poly Consultancy takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair-value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Poly Consultancy and entities (including structured entities) controlled by Poly Consultancy and its subsidiaries. Control is achieved when Poly Consultancy:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Original PC Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Original PC Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Original PC Group considers all relevant facts and circumstances in assessing whether or not the Original PC Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Original PC Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Original PC Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Original PC Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Original PC Group obtains control over the subsidiary and ceases when the Original PC Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Original PC Group gains control until the date when the Original PC Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Poly Consultancy and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Poly Consultancy and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Original PC Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Original PC Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Poly Consultancy's equity therein.

Changes in the Original PC Group's ownership interests in existing subsidiaries

Changes in the Original PC Group's ownership interests in existing subsidiaries that do not result in the Original PC Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Original PC Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Poly Consultancy.

When the Original PC Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Poly Consultancy. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Original PC Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Original PC Group, liabilities incurred by the Original PC Group to the former owners of the acquiree and the equity interests issued by the Original PC Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Original PC Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Investment in associates

An associate is an entity over which the Original PC Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Any retained portion of an investment in an associate that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Original PC Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Original PC Group. When the Original PC Group's share of losses of an associate exceeds the Original PC Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Original PC Group's net investment in the associate), the

Original PC Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Original PC Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Original PC Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Original PC Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Original PC Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Original PC Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Original PC Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Original PC Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Original PC Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Original PC Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Original PC Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Original PC Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of business tax and other taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Original PC Group and when specific criteria have been met for each of the Original PC Group's activities, as described below.

Agency commission from property agency business is recognised when performance of all the initial services and other obligation required by the contracts with property developers has been substantially accomplished.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Original PC Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Original PC Group as lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Original PC Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Original PC Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Original PC Group’s operations are translated into the presentation currency of the Original PC Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Original PC Group’s entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Poly Consultancy are reclassified to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from ‘profit before taxation’ as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Original PC Group’s liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Original PC Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Original PC Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Original PC Group's financial assets are comprising of loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables and prepayments, amount due from immediate holding company, amounts due from fellow

subsidiaries, amounts due from associates, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Original PC Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 25c.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of accounts receivables could include the Original PC Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 to 120 days and observable changes in national or local economic conditions that correlate with default on receivables. Objective evidence of impairment for a portfolio of loan receivables could include adverse changes in the payment status of borrowers that affect the borrowers of the Original PC Group.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable or loan receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Original PC Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Original PC Group derecognises financial liabilities when, and only when, the Original PC Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Original PC Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Original PC Group estimates the recoverable amount of the cash generating unit to

which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in unit. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Related parties

- (a) A person or a close member of that person's family is related to the Original PC Group if that person:
 - (i) has control or joint control over the Original PC Group;
 - (ii) has significant influence over the Original PC Group; or
 - (iii) is a member of key management personnel of the Original PC Group or Poly Consultancy's parent.
- (b) An entity is related to the Original PC Group if any of the following conditions apply:
 - (i) The entity and the Original PC Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Original PC Group or an entity related to the Original PC Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Original PC Group's Historical Financial Information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In the process of applying the Original PC Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Estimated useful lives of property, plant and equipment

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

Fair value measurements and valuation processes

The Original PC Group's investment properties are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Original PC Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Original PC Group engages third party qualified valuers to perform the valuation.

The Original PC Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Notes 14 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of Poly Consultancy have reviewed the Original PC Group's investment property portfolios and concluded that the Original PC Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Original PC Group's deferred taxation on investment properties, the directors of Poly Consultancy have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Original PC Group has recognised the deferred taxes on changes in fair value of investment properties as the Original PC Group is subject to land appreciation tax ("LAT") on disposal of its investment properties.

6. TURNOVER

Turnover represents agency commission in respect of real estate agency services. An analysis of the Original PC Group's revenue for the years are as follows:

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Agency commission	941,147	1,533,164	1,016,306
Less: Business tax and other taxes	<u>(53,694)</u>	<u>(31,937)</u>	<u>(5,824)</u>
	<u><u>887,453</u></u>	<u><u>1,501,227</u></u>	<u><u>1,010,482</u></u>

7. SEGMENT INFORMATION

For management purposes, the Original PC Group has only one reportable operating segment which is real estate agency. Since this is the only reportable operating segment of the Original PC Group and located in the PRC, no further operating segment analysis is thereof presented.

During the Track Record Period, included in turnover arising from agency commission of approximately HK\$738,645,000, HK\$679,112,000 and HK\$937,689,000 arose from the Original PC Group's largest customer, which represents approximately 83%, 45% and 92% Original PC Group's turnover for years ended 31 December 2015, 2016 and 2017 respectively. No other single customers contributed 10% or more to the Original PC Group's turnover for the years ended 31 December 2015, 2016 and 2017 respectively.

8. OTHER INCOME, NET

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income	2,883	3,862	5,083
(Loss) gain on disposal of property, plant and equipment	(2)	62	(17)
Other operating income	<u>477</u>	<u>526</u>	<u>541</u>
	<u><u>3,358</u></u>	<u><u>4,450</u></u>	<u><u>5,607</u></u>

9. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Staff costs			
— directors' emoluments (<i>note 11</i>)	1,942	1,880	2,806
— other staff costs	292,374	397,073	568,635
— other staff's retirement benefit scheme contributions	<u>31,214</u>	<u>38,961</u>	<u>54,989</u>
	<u><u>325,530</u></u>	<u><u>437,914</u></u>	<u><u>626,430</u></u>
Depreciation of property, plant and equipment	1,644	2,065	2,853
Auditor's remuneration	79	145	392

10. INCOME TAX EXPENSE

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
PRC Enterprises Income Tax (“EIT”)	80,844	93,779	69,129
Deferred tax (<i>note 22</i>)	<u>50</u>	<u>(475)</u>	<u>(758)</u>
	<u>80,894</u>	<u>93,304</u>	<u>68,371</u>

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Original PC Group for the Track Record Period.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which Poly Consultancy and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Profit before tax	325,830	373,615	286,342
Tax at PRC statutory tax rate of 25% (2015, 2016 and 2017: 25%)	81,458	93,404	71,586
Tax effect of share of results of associates	19	(834)	(1,248)
Tax effect of expenses not deductible for tax purpose	413	1,136	1,429
Tax effect of income not taxable for tax purpose	(721)	(1,146)	(1,435)
Others	<u>(275)</u>	<u>744</u>	<u>(1,961)</u>
Income tax expense	<u>80,894</u>	<u>93,304</u>	<u>68,371</u>

11. DIRECTORS' EMOLUMENTS

Directors emoluments for the Track Record Period, disclosed pursuant to the Listing Rules is as follows:

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
For the year ended					
31 December 2015					
Hu Zai Xin	—	—	—	—	—
Huang Hai	—	—	—	—	—
Li Dan Yang	—	1,800	—	142	1,942
He Zhi Tao	—	—	—	—	—
Liu Chen	—	—	—	—	—
Total	<u>—</u>	<u>1,800</u>	<u>—</u>	<u>142</u>	<u>1,942</u>

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
For the year ended 31 December 2016					
Hu Zai Xin	—	—	—	—	—
Huang Hai	—	—	—	—	—
Li Dan Yang	—	1,740	—	140	1,880
He Zhi Tao (resigned on 2 May 2016)	—	—	—	—	—
Liu Chen (resigned on 2 May 2016)	—	—	—	—	—
He Jun (appointed on 2 May 2016)	—	—	—	—	—
Zhang Liang (appointed on 2 May 2016)	—	—	—	—	—
Total	—	1,740	—	140	1,880

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
For the year ended 31 December 2017					
Hu Zai Xin	—	—	—	—	—
Huang Hai	—	—	—	—	—
Li Dan Yang	—	2,642	—	164	2,806
He Jun	—	—	—	—	—
Zhang Liang	—	—	—	—	—
Total	—	2,642	—	164	2,806

In each of the three years ended, no emoluments were paid by Poly Consultancy to the directors, as an inducement to join or upon joining Poly Consultancy or as a compensation for loss of office. None of the director has waived any emoluments during each of the three years ended 31 December 2015, 2016 and 2017.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Original PC Group, one was director of Poly Consultancy for the years ended 31 December 2015, 2016 and 2017 respectively, whose emoluments are included in note 11 above. The emoluments of the remaining four individuals were as follow:

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Salaries and other benefits	4,950	4,919	6,548
Retirement benefits scheme contributions	318	336	350
	<u>5,268</u>	<u>5,255</u>	<u>6,898</u>

13. DIVIDENDS

Dividends payable to equity shareholders of Poly Consultancy attributable to the previous financial year, approved during the year.

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved during the year	<u>48,780</u>	<u>—</u>	<u>232,353</u>

No interim dividend was declared for the years ended 31 December 2015, 2016 and 2017.

14. INVESTMENT PROPERTIES

Level 3	<i>HK\$'000</i>
Fair value measurement	
At 1 January 2015, 31 December 2015 and 1 January 2016	—
Addition	13,994
Fair value change in investment properties	661
Exchange adjustments	<u>(18)</u>
At 31 December 2016 and 1 January 2017	-----14,637
Addition	483
Fair value change in investment properties	658
Exchange adjustments	<u>1,072</u>
At 31 December 2017	<u>16,850</u>

All of the Original PC Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Original PC Group's investment properties at 31 December 2016 and 2017 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited ("BMI"), an independent qualified valuer not connected to the Original PC Group.

BMI is a member of the Institute of Valuers. The fair value was determined based on the comparison approach, where assuming sales in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. There has been no change from the valuation technique used in the Track Record Period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Original PC Group's investment properties are the commercial property units located in PRC and are Level 3 recurring fair value measurement as at 31 December 2016 and 2017.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Relationship of unobservable inputs to fair value
Investment properties in China	Direct comparison	Adjusting factors (to reflect location, size and age)	Adjusting factors ranging from 100% to 112% (2016: 93%)	The higher the adjusting factor, the higher the fair value

There were no transfers into or out of Level 3 during the years ended 31 December 2016 and 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2015	12,629	5,008	2,321	19,958
Exchange adjustments	(912)	(486)	(97)	(1,495)
Additions	5,032	4,663	—	9,695
Disposals	—	(259)	(443)	(702)
At 31 December 2015	16,749	8,926	1,781	27,456
Exchange adjustments	(1,017)	(581)	(67)	(1,665)
Additions	2,700	2,432	—	5,132
Disposals	—	(313)	(520)	(833)
At 31 December 2016	18,432	10,464	1,194	30,090
Exchange adjustments	1,304	940	110	2,354
Additions	1,820	3,830	423	6,073
Disposals	—	(436)	—	(436)
At 31 December 2017	<u>21,556</u>	<u>14,798</u>	<u>1,727</u>	<u>38,081</u>

	Leasehold land and buildings <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation				
At 1 January 2015	503	3,308	1,688	5,499
Exchange adjustments	(47)	(208)	(80)	(335)
Provided for the year	403	960	281	1,644
Disposals	—	(247)	(425)	(672)
At 31 December 2015	859	3,813	1,464	6,136
Exchange adjustments	(75)	(256)	(58)	(389)
Provided for the year	570	1,355	140	2,065
Disposals	—	(301)	(499)	(800)
At 31 December 2016	1,354	4,611	1,047	7,012
Exchange adjustments	139	416	83	638
Provided for the year	835	1,928	90	2,853
Disposals	—	(415)	—	(415)
At 31 December 2017	<u>2,328</u>	<u>6,540</u>	<u>1,220</u>	<u>10,088</u>
Carrying Values				
At 31 December 2017	<u>19,228</u>	<u>8,258</u>	<u>507</u>	<u>27,993</u>
At 31 December 2016	<u>17,078</u>	<u>5,853</u>	<u>147</u>	<u>23,078</u>
At 31 December 2015	<u>15,890</u>	<u>5,113</u>	<u>317</u>	<u>21,320</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rate per annum:

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Office equipment, furniture and fixtures	12%–32%
Motor vehicles	9.6%–19.2%

16. INTERESTS IN ASSOCIATES

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Cost of unlisted investment in associates	71,006	70,771	78,251
Share of post-acquisition (loss) profits and other comprehensive income	(78)	3,259	8,250
Exchange adjustment	<u>2</u>	<u>(87)</u>	<u>231</u>
	<u>70,930</u>	<u>73,943</u>	<u>86,732</u>

As at 31 December 2015, 2016 and 2017, Poly Consultancy had interest in the following associates:

Name of associates	Place of registration	Place of operation	Class of shares	Proportion of registered capital held by Poly Consultancy			Principal activity
				2015	2016	2017	
Guangzhou Poly Micro Credit Finance Co., Ltd (“ Poly Micro Credit Finance ”) (i)	The PRC	The PRC	Registered	30%	30%	30%	Financial management services
Chongqing Ruiyun Technology Limited (“ Ruiyun Technology ”) (ii)	The PRC	The PRC	Registered	—	34%	34%	Calculator development and technology consultancy service
Anhui Poly Aijia Realty Consultancy Limited (“ Aijia Realty Consultancy ”) (iii)	The PRC	The PRC	Registered	—	—	40%	Real estate agency service

Notes:

- (i) On 11 September 2015, Poly Consultancy agreed to subscribe for 30% of the interest Poly Micro Credit Finance for a consideration of RMB60 million. The aforementioned transaction was completed on 11 September, 2015.
- (ii) On 1 January 2016, Poly Consultancy agreed to subscribe for 34% of the interest Ruiyun Technology for a consideration of RMB3.33 million. The aforementioned transaction was completed on 1 January 2016.
- (iii) On 20 June 2017, Poly Consultancy established Aijia Realty Consultancy and invested RMB2 million for 40% equity interest of Aijia Realty Consultancy.

Summarised financial information of material associate

Summarised financial information in respect of the Original PC Group's material associate is set out below:

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Poly Micro Credit Finance			
As at 31 December			
Current assets	237,081	54,544	16,020
Non-current assets	1,110	321,427	491,618
Current liabilities	(1,757)	(142,581)	(240,674)
Non-current liabilities	—	—	—
Included in the above amounts are:			
Cash and cash equivalents	<u>228,947</u>	<u>51,625</u>	<u>15,294</u>
Year ended 31 December			
Revenue	—	24,296	41,860
Net profit and total comprehensive income	(260)	10,457	16,507
Included in the above amounts are:			
Income tax expense	<u>—</u>	<u>(3,398)</u>	<u>(5,630)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net assets	236,434	233,390	266,964
Proportion of Poly Consultancy's ownership interest	<u>30%</u>	<u>30%</u>	<u>30%</u>
Poly Consultancy's share of net assets	<u>70,930</u>	<u>70,017</u>	<u>80,089</u>
Poly Consultancy's share of profits	<u>(78)</u>	<u>3,137</u>	<u>4,952</u>

Aggregate information of associates that are not individually material

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Carrying amount in the consolidated financial statements	—	3,926	6,643
Poly Consultancy's share of profits	<u>—</u>	<u>200</u>	<u>39</u>

17. OTHER RECEIVABLES AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Prepayments	182	1,035	5,161
Other receivables	<u>2,553</u>	<u>5,151</u>	<u>6,975</u>
	<u><u>2,735</u></u>	<u><u>6,186</u></u>	<u><u>12,136</u></u>

All of the other receivables and prepayments are expected to be recovered or recognised as expense within one year.

18. AMOUNTS DUE FROM RELATED PARTIES

The amounts are unsecured, interest free and repayable on demand.

19. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Original PC Group and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.3% to 1.495% for the three years ended 31 December 2015, 2016 and 2017 and have original maturity of three months or less.

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cash and bank balances	<u>284,111</u>	<u>302,519</u>	<u>276,893</u>

Since the financing activity of the Original PC Group only comprises of the capital contribution from non-controlling interests, no reconciliation of liabilities arising from financial activities is disclosed.

20. PAYABLES AND ACCRUALS

	As at 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Accrued staffs costs	31,791	29,643	38,564
Other payables and accruals	<u>150,637</u>	<u>382,123</u>	<u>131,401</u>
	<u><u>182,428</u></u>	<u><u>411,766</u></u>	<u><u>169,965</u></u>

21. SHARE CAPITAL

	Number of shares '000	Nominal amounts HK\$'000
Issued and fully paid:		
Ordinary shares of RMB1.00 each		
At 1 January 2015	10,000	12,808
Issuance of share capital	<u>40,000</u>	<u>48,780</u>
At 31 December 2015, 2016 and 2017	<u><u>50,000</u></u>	<u><u>61,588</u></u>

The new shares issued rank pari passu in all aspects with the existing share in issue.

22. DEFERRED TAX ASSETS

	Provision for doubtful debts HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2015	419	36	455
Exchange adjustments	(26)	(2)	(28)
Charge to profit or loss	<u>(50)</u>	<u>—</u>	<u>(50)</u>
At 31 December 2015	343	34	377
Exchange adjustments	(75)	41	(34)
Credit (charge) to profit or loss	<u>658</u>	<u>(183)</u>	<u>475</u>
At 31 December 2016	926	(108)	818
Exchange adjustments	98	(26)	72
Credit to profit or loss	<u>740</u>	<u>18</u>	<u>758</u>
At 31 December 2017	<u><u>1,764</u></u>	<u><u>(116)</u></u>	<u><u>1,648</u></u>

23. OPERATING LEASES

The Original PC Group made minimum lease payments under operating leases in respect of office premises and shops of approximately HK\$10,409,000, HK\$12,700,000 and HK\$20,967,000 for the years ended 31 December 2015, 2016 and 2017, respectively.

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

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Within one year	8,203	8,387	14,081
In the second to fifth year inclusive	6,173	1,726	22,039
Over five years	—	—	1,104
	<u>14,376</u>	<u>10,113</u>	<u>37,224</u>

Operating lease payments represent rentals payable by the Original PC Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

24. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Historical Financial Information, Poly Consultancy had the following material transactions with related parties during the Track Record Period as follows:

		Year ended 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Immediate holding company				
Turnover	(i)	738,645	679,112	937,689
Rental expense	(i)	2,555	3,714	4,301
Other operating expense	(i)	—	62	1
Fellow subsidiaries				
Interest income	(i)	—	243	3,144
Rental expense	(i)	373	352	1,327
Building management fee	(i)	1,313	1,618	2,165
Other operating expense	(i)	590	3,920	1,388

Note:

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

25. CAPITAL RISK MANAGEMENT

The Original PC Group manages its capital to ensure that entities in the Original PC Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Original PC Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Original PC Group consists of equity attributable to owners of Poly Consultancy, comprising issued share capital, reserves and retained profits.

The directors of Poly Consultancy review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Original PC Group will balance its overall capital structure through the payment of dividends and new share issues.

25a. Categories of financial instruments

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)			
— Other receivables	2,553	5,151	6,975
— Amount due from immediate holding company	283,972	715,035	451,444
— Amounts due from fellow subsidiaries	287,661	307,376	406,485
— Amounts due from associates	—	35	6
— Amounts due from related companies	—	8,105	17,302
— Bank balances and cash	284,111	302,519	276,893
	<u>858,297</u>	<u>1,338,221</u>	<u>1,159,105</u>
Financial liabilities			
Amortised cost			
— Financial liabilities included in other payables	<u>150,637</u>	<u>382,123</u>	<u>131,401</u>

25b. Financial risk management objectives and policies

The Original PC Group's major financial instruments include other receivables, amount due from immediate holding company, amounts due from fellow subsidiaries, amounts due from associates, amounts due from related companies, bank balances and cash and payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Original PC Group has limited exposure to risk of changes in market interest rates since it does not have material assets or liabilities which are interest-bearing.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Original PC Group is exposed to credit risk arising from the real estate agency activities, mainly include other receivables and prepayment, as well as deposits with banks and financial institutions. Credit risk is managed by requiring buyers to settle the payments. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

In respect of other receivables, the Original PC Group reviews the recoverable amount of each individual other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Poly Consultancy consider that the Original PC Group's credit risk is significantly reduced.

Cash and cash equivalents are placed with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

Further quantitative disclosure in respect of the Original PC Group's exposure to credit risk arising from other receivables and prepayments are set out in note 17.

In order to minimise the credit risk, the management of the Original PC Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Poly Consultancy consider that the Original PC Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Original PC Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Original PC Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following table details the Original PC Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Original PC Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2015 HK\$'000
2015							
Non-derivative financial liabilities							
Financial liabilities included in payables and accruals	—	150,637	—	—	—	150,637	150,637
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2016 HK\$'000
2016							
Non-derivative financial liabilities							
Financial liabilities included in payables and accruals	—	382,123	—	—	—	382,123	382,123

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2017 HK\$'000
2017 Non-derivative financial liabilities							
Financial liabilities included in payables and accruals	—	131,401	—	—	—	131,401	131,401

25c. Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Poly Consultancy consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their corresponding fair values.

26. PRINCIPAL SUBSIDIARIES

Details of Poly Consultancy's principal subsidiaries at 31 December 2015, 2016 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Class of share held	Issued and paid up/registered capital/share capital	Attributable	equity	interest	Principal activity	Place of operation
				2015 %	2016 %	2017 %		
Tibet Ying Kai Real Properties Consultancy Limited ("Tibet Ying Kai") (note a)	The PRC (note c)	Registered	RMB1,000,000*	—	100%	100%	Property agency service	The PRC
Tibet Poly Aijia Real Properties Brokerage Limited ("Tibet Poly Aijia") (note b)	The PRC (note c)	Registered	RMB100,000,000*	—	—	40%	Property agency service	The PRC

* Ordinary shares

Notes:

- Tibet Ying Kai was incorporated in 2016.
- Tibet Poly Aijia was incorporated in 2017. Despite holding only 40% equity interest according to the articles of association of Tibet Poly Aijia, all parties contractually agreed all board decisions rest on the sole discretion of Poly Consultancy, therefore giving Poly Consultancy control over Tibet Poly Aijia. Tibet Poly Aijia was accounted for as subsidiary of Poly Consultancy from 2017 onwards.
- All PRC subsidiaries are corporations with limited liability.
- The directors of Poly Consultancy made an assessment as at the date of initial application of HKFRS12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that is material to the Original PC Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated financial information of the Enlarged Group as enlarged by the proposed acquisitions by Hopefluent (China) Real Estate Consultancy Co., Ltd. (“**Hopefluent China**”) of the Poly Real Estate Investment Consultancy Co., Ltd. and its companies after the internal corporate reorganisation being conducted, in consideration for the transfer by Hopefluent China of 43.9% of its entire equity interests to Poly Real Estate Group Co., Ltd., which is regarded as a deemed disposal of the Company’s interests in a subsidiary of the Company and issue of new shares of 36,000,000 to Poly Real Estate Group Co., Ltd at an issue price of HK\$4.20 per new share (the “**Proposed Acquisition and Issue of New Shares**”) (the “**Unaudited Pro Forma Consolidated Financial Information**”), comprising the unaudited pro forma consolidated statement of assets and liabilities for the Group as enlarged by the Proposed Acquisition and Issue of New Shares.

The Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 31 December 2017 or at any future date.

The Unaudited Pro Forma Consolidated Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2017.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2017 is prepared as if the Proposed Acquisition and Issue of New Shares had taken place on 31 December 2017 and is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2017, which has been extracted from the published annual report of the Company for the year ended 31 December 2017 and (ii) the audited consolidated statement of financial position of Poly Real Estate Investment Consultancy Co., Ltd. and its subsidiaries (the “**Target**”) as extracted from the Accountants’ Report of the Target as set out in Appendix II to this Circular; after making pro forma adjustments that are (a) directly attributable to the Proposed Acquisition and Issue of New Shares; and (b) factually supportable.

The Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group after the Proposed Acquisition and Issue of New Shares should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this Circular, the financial information of the Target as set out in the Appendix II to this Circular and other financial information included elsewhere in this Circular.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities

	Pro forma adjustments								The Enlarged Group as at 31 December 2017 HK\$'000
	The Group as at 31 December 2017 HK\$'000 Note 1	Target as at 31 December 2017 HK\$'000 Note 2	HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000 Note 8	
Non-current assets									
Investment properties	94,060	16,850	—	—	—	—	—	—	110,910
Property, plant and equipment	246,306	27,993	—	—	—	—	—	—	274,299
Deposits for acquisition of investment properties	51,239	—	—	—	—	—	—	—	51,239
Goodwill	15,403	—	—	—	152,182	—	—	—	167,585
Interest in a joint venture	611	—	—	—	—	—	—	—	611
Loan receivables	408,243	—	—	—	—	—	—	—	408,243
Interests in associates	—	86,732	(80,089)	—	—	—	—	—	6,643
Deferred tax assets	—	1,648	—	—	—	—	—	—	1,648
	<u>815,862</u>	<u>133,223</u>	<u>(80,089)</u>	<u>—</u>	<u>152,182</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,021,178</u>
Current assets									
Accounts receivables	1,259,339	—	—	—	—	—	—	—	1,259,339
Loan receivables	716,461	—	—	—	—	—	—	—	716,461
Other receivables and prepayments	257,235	12,136	—	—	—	—	—	—	269,371
Amount due from a joint venture	4,874	—	—	—	—	—	—	—	4,874
Amount due from immediate holding company	—	451,444	—	—	—	(451,444)	—	—	—
Amounts due from fellow subsidiaries	—	406,485	—	—	—	(406,485)	—	—	—
Amounts due from associates	—	6	—	—	—	(6)	—	—	—
Amounts due from non-controlling interests	—	—	—	(407,186)	—	451,444	—	—	44,258
Amounts due from related companies of the Poly Consultancy Group	—	—	—	—	—	423,793	—	—	423,793
Amounts due from related companies	—	17,302	—	—	—	(17,302)	—	—	—
Held for trading investments	6,849	—	—	—	—	—	—	—	6,849
Bank balances and cash	1,331,323	276,893	80,089	—	—	—	151,200	(5,200)	1,834,305
	<u>3,576,081</u>	<u>1,164,266</u>	<u>80,089</u>	<u>(407,186)</u>	<u>—</u>	<u>—</u>	<u>151,200</u>	<u>(5,200)</u>	<u>4,559,250</u>
Assets classified as held for sale	24,051	—	—	—	—	—	—	—	24,051
	<u>3,600,132</u>	<u>1,164,266</u>	<u>80,089</u>	<u>(407,186)</u>	<u>—</u>	<u>—</u>	<u>151,200</u>	<u>(5,200)</u>	<u>4,583,301</u>
Current liabilities									
Payables and accruals	519,322	169,965	—	—	—	—	—	—	689,287
Tax liabilities	111,889	167,061	—	95,808	—	—	—	—	374,758
Bank and other borrowings	589,454	—	—	—	—	—	—	—	589,454
	<u>1,220,665</u>	<u>337,026</u>	<u>—</u>	<u>95,808</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,653,499</u>
Net current assets	<u>2,379,467</u>	<u>827,240</u>	<u>80,089</u>	<u>(502,994)</u>	<u>—</u>	<u>—</u>	<u>151,200</u>	<u>(5,200)</u>	<u>2,929,802</u>
Total assets less current liabilities	<u>3,195,329</u>	<u>960,463</u>	<u>—</u>	<u>(502,994)</u>	<u>152,182</u>	<u>—</u>	<u>151,200</u>	<u>(5,200)</u>	<u>3,950,980</u>
Non-current liabilities									
Deferred tax liabilities	62,774	—	—	—	—	—	—	—	62,774
Other borrowings	274,251	—	—	—	—	—	—	—	274,251
Total non-current liabilities	337,025	—	—	—	—	—	—	—	337,025
Total assets less total liabilities	<u>2,858,304</u>	<u>960,463</u>	<u>—</u>	<u>(502,994)</u>	<u>152,182</u>	<u>—</u>	<u>151,200</u>	<u>(5,200)</u>	<u>3,613,955</u>

Notes:

- The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2017 as set out in the Company's published annual report for the year ended 31 December 2017.
- In accordance with the Cooperation Agreement, the amounts are extracted from the Accountants' Report issued by the Reporting Accountants of the Original PC Group, BDO Limited as set out in Appendix II to this Circular, before internal corporate reorganisation conducted by Poly Consultancy by disposal of the interest in an associate, Poly Micro Credit Finance.
- The adjustments represent internal corporate reorganisation conducted by Poly Consultancy by disposal of the carrying amount of interest in an associate, Poly Micro Credit Finance, as disclosed in note 16 to the Appendix II, for the purpose of the corporate restructuring.
- The adjustments represent dividend distribution and related withholding tax expenses in accordance with the Cooperation Agreement. Each of Hopefluent China and Poly Consultancy is entitled to distribute its distributable profits as at 31 January 2018 to its respective shareholder (namely, Hopefluent HK and Poly Real Estate, respectively) according to the schedule and conditions of the distribution arrangement agreed between the parties. The aggregate maximum amount of dividend that can be distributed by Hopefluent China to Hopefluent HK is HK\$958,084,000 (equivalent to RMB800,000,000), which is fully eliminated on consolidation, and that by Poly Consultancy to Poly Real Estate is HK\$407,186,000 (equivalent to RMB340,000,000).

Meanwhile, tax liabilities in respect of the withholding tax on dividend distributed, based on 10% of the dividend proposed, of HK\$95,808,000 (equivalent to RMB80,000,000) have been recognised.

- The adjustments represent the acquisition of 56.1% equity interest in Poly Consultancy Group with consideration of deemed disposal of 43.9% equity interests in Hopefluent China.

As at the date of this Circular, the Company holds 100% equity interests in the fully paid registered capital of Hopefluent China and is the controlling shareholder of Hopefluent China. Upon the completion of the acquisition by Hopefluent China of the Poly Consultancy Group, in consideration for the transfer of 43.9% of its equity interests by Hopefluent Hong Kong to Poly Real Estate, which is regarded as a deemed disposal of the Company's interests in a subsidiary of the Company. In accordance with the Cooperation Agreement and in the opinion of the directors, the Company still obtain effective control over Hopefluent China.

In accordance with Hong Kong Financial Reporting Standard 3 "Business Combination" ("HKFRS 3"), the pro forma fair value of the identifiable assets acquired and liabilities assumed of Poly Consultancy by Hopefluent China as at 31 December 2017 are as follows, which are assumed to be same as those identifiable assets acquired and liabilities assumed of Poly Consultancy by the Company.

Goodwill is determined as the excess of the fair value of consideration paid by Hopefluent China, i.e. fair value of 43.9% equity interest of Hopefluent China and the fair value of 56.1% equity interest of Poly Consultancy Group, upon obtaining the control over the Poly Consultancy Group, over the fair value of the identifiable assets acquired and liabilities assumed.

The goodwill is analysed as follows:

	<i>HK\$'000</i>
Pro-forma consideration for acquisition of 56.1% net assets value in Poly Consultancy Group settled by Hopefluent China Group's 43.9% net assets value of HK\$1,960,487,000 net of dividend of HK\$958,084,000	440,055
Pro forma fair value of the net identifiable assets acquired and liabilities assumed of Poly Consultancy of HK\$920,328,000 net of dividend of HK\$407,186,000	287,873
	<hr/>
Goodwill arising from the Cooperation Restructuring	<u>152,182</u>

Since the purchase price allocation regarding the acquisition of the Poly Consultancy Group by Hopefluent China in accordance with HKFRS 3 “Business Combination” is not completed and the fair values of the net identifiable assets and liabilities of Poly Consultancy Group may change at the actual date Hopefluent China obtained control over Poly Consultancy Group, the amount of goodwill recognised by Hopefluent China and the Group may be different.

For the purpose of the unaudited pro forma financial information of the Group enlarged by the Cooperation Restructuring, the Group’s management has performed an impairment assessment on the provisional goodwill arising from the Cooperation Restructuring in accordance with Hong Kong Accounting Standard 36 “Impairment of Assets” (“**HKAS 36**”) and concluded that there would have been no impairment of the goodwill if the Cooperation Restructuring had been completed on 31 December 2017 for the purpose of unaudited pro forma consolidated statement of assets and liabilities. The recoverable amount under impairment assessment was derived based on the value-in-use calculations. That calculations used cash flows projections based on financial budgets as approved by management of the Poly Consultancy Group covering five years’ period, assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Poly Consultancy Group; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. However, should there be any adverse changes to the business of the Poly Consultancy Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the provisional goodwill in accordance with HKAS 36 and the Group’s accounting policies.

The Directors confirmed that they will adopt consistent approach to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group’s annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

6. The adjustments represent the reclassification of amounts due from related parties of Poly Consultancy.
7. The adjustments represent Poly Real Estate subscribe 36,000,000 new shares of the Company at subscription price of HK\$4.20 per share, after the satisfaction or waiver of all the conditions precedent in accordance with the Cooperation Agreement, with subscription monies in a total sum of HK\$151,200,000. Upon payment of the subscription monies by Poly Real Estate, the Company will allot and issue the new shares to Poly Real Estate (or its nominee).
8. The adjustment represents payment for estimated transaction costs on the proposed acquisition and issue of new shares of approximately HK\$5,200,000 in cash.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountant's assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Hopefluent Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hopefluent Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2017 and related notes as set out on pages III-1 to III-4 of the circular issued by the Company dated 22 June 2018 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 to III-4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisitions by Hopefluent (China) Real Estate Consultancy Co., Ltd. ("**Hopefluent China**") of the Poly Real Estate Investment Consultancy Co., Ltd. and its companies after the internal corporate reorganisation being conducted, in consideration for the transfer by Hopefluent China of 43.9% of its entire equity interests to Poly Real Estate Group Co., Ltd., which is regarded as a deemed disposal of the Company's interests in a subsidiary of the Company and issue of new shares of 36,000,000 to Poly Real Estate Group Co., Ltd at an issue price of HK\$4.20 per new share on the Group's consolidated statement of assets and liabilities as at 31 December 2017 as if the transaction had taken place on 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2017, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 22 June 2018

Set out below is the management discussion and analysis of the Original PC Group for each of the years ended 31 December 2015, 2016 and 2017. Poly Consultancy was incorporated in the PRC with limited liability on 22 March 2001 with a fully paid-up registered capital of RMB50,000,000 as at the date of the Cooperation Agreement. It is principally engaged in real estate agency and consultancy services. For the purpose of the Cooperation Restructuring, Poly Real Estate will undergo an internal corporate reorganisation within its group of companies whereby the Poly Consultancy Group will be formed with Poly Consultancy being the holding company holding 4 companies all of which are engaged in the provision of primary and secondary real estate agency services or related services.

BUSINESS REVIEW

The Original PC Group is principally engaged in real estate agency and consultancy services in the PRC.

Please refer to the section headed “5. Industry Overview” in Appendix V to this circular for the industry overview of the property market in the PRC.

Segment information

The Original PC Group has only one reportable operating segment which is real estate agency.

Revenue

The total revenue of the Original PC Group for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK\$887,453,000, HK\$1,501,227,000 and HK\$1,010,482,000, respectively.

Primary property business recorded revenue of approximately HK\$738,645,000, HK\$679,112,000 and HK\$937,689,000 for each of the three years ended 31 December 2015, 2016 and 2017, respectively. The property value transacted for each of the aforesaid three years was RMB81.8 billion, RMB79.8 billion and RMB106.6 billion, respectively. The increase in revenue in 2017 from this sector was in line with the property value transacted.

Revenue from secondary property and e-commerce businesses amounted to around HK\$148,808,000, HK\$822,115,000 and HK\$72,793,000 for the three years ended 31 December 2015, 2016 and 2017. The increase in 2016 was mainly attributable to the online marketing services income brought to the Original PC Group by launching of the e-commerce business. In 2017, e-commerce business was ceased due to change of the Original PC Group’s business strategy.

Expenses*Selling expenses*

The selling expenses for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK\$524,770,000, HK\$1,083,470,000 and HK\$668,809,000, respectively and the ratio of such expenses to revenue were 59.1%, 72.2% and 66.2%, respectively in each of the three years. These selling expenses primarily consist of (i) marketing and selling agency fees, (ii) staff cost of sales personnel and (iii) travelling cost of sales personnel.

The increase in selling expenses in 2016 was mainly due to the significant rise in the selling agency fee as the Original PC Group engaged a number of e-agencies to post advertisements online and also more promotion expenditures were incurred in order to boost e-commerce business in 2016. Selling expenses decreased in 2017 due to the decrease in e-agency advertising and service expenses as e-commerce business was ceased.

Administrative expenses

The administrative expenses for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK\$40,133,000, HK\$52,590,000 and HK\$66,587,000, respectively and the rising amount over the three years was generally attributable to continuous increase in headcount.

Net Profit

The net profit for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK\$244,936,000, HK\$280,311,000 and HK\$214,160,000, respectively and the net profit margin was approximately 27.6%, 18.7% and 21.2%, respectively in each of the three years. The decrease in net profit margin in 2016 was mainly attributable to the increased e-commerce business expenditures incurred.

FINANCIAL REVIEW

As at 31 December 2015, 2016 and 2017, the net assets of the Original PC Group were approximately HK\$639,457,000, HK\$876,214,000 and HK\$920,328,000, respectively. The increase of net assets in 2016 was in line with the increase in net profit of the Original PC Group. The increase in net assets in 2017 was not in line with the profit of the Original PC Group due to the distribution of dividend to the immediate holding company of approximately HK\$232,353,000 which was settled through current account with the immediate holding company.

As at 31 December 2015, 2016 and 2017, the current ratio of the Original PC Group were approximately 2.75, 2.33 and 3.45, respectively.

As at 31 December 2015, 2016 and 2017, the cash and cash equivalents of the Original PC Group were approximately HK\$284,111,000, HK\$302,519,000 and HK\$276,893,000, respectively. The cash and cash equivalents consisted of cash on hand and bank balances and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.3% to 1.495% and have original maturity of three months or less.

The Original PC Group is financed by cash flows from operations and it maintains prudent liquidity risk management by maintaining sufficient cash and bank balances. As at 31 December 2015, 2016 and 2017, the Original PC Group did not have any bank borrowings therefore debt gearing ratio was nil for each of the years ended 31 December 2015, 2016 and 2017.

During the three years ended 31 December 2017, the Original PC Group had not used any financial instrument for hedging purposes and had not charged any of its assets.

Foreign Exchange Risk

The Original PC Group operates mainly in the PRC, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to HK\$ which can negatively impact revenue, costs, margins and profit. The Original PC Group currently does not have a foreign exchange hedging policy. However, the management of the group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Contingent Liabilities

The Original PC Group did not have any material contingent liabilities as at 31 December 2015, 2016 and 2017.

Capital Structure

Poly Consultancy has a fully paid up registered capital of RMB50,000,000 as at 31 December 2015, 2016 and 2017.

Significant Investments, Acquisitions and Disposals

Save as disclosed in the audited financial statements of the Original PC Group for the three years ended 31 December 2017 regarding investments in associate companies made, the Original PC Group had not held any significant investments and there were no material acquisitions or disposals of subsidiaries and associate companies during the three years ended 31 December 2017.

Employees

The Original PC Group had 2,851, 3,552 and 4,746 employees in the PRC as of 31 December 2015, 2016 and 2017, respectively. The total amounts of remuneration for the years ended 31 December 2015, 2016 and 2017 were approximately HK\$325,530,000, HK\$437,914,000 and HK\$626,430,000, respectively.

Recruitment of employees continued throughout the three years ended 31 December 2017 in order to support the business growth and development of the Original PC Group.

FUTURE PLANS

The Poly Consultancy Group shall continue to utilize its business resources to capture additional opportunities in the primary and secondary real estate agency markets. With the cooperation with the Company, the Poly Consultancy Group shall be able to help establish Hopefluent China as a leading enterprise in the real estate agency service sector of the PRC. More discussion about the business synergy of the subject Cooperation is explained in the section headed “REASONS FOR ENTERING INTO THE COOPERATION AGREEMENT” on page 16 of this circular.

The following is the text of a report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 April 2018 of the market values of the 合富輝煌(中國)房地產顧問有限公司 (in English, for identification purpose only, Hopefluent (China) Real Estate Consultancy Co., Ltd.) together with its 95 companies and 保利地產投資顧問有限公司 (in English, for identification purpose only, Poly Real Estate Investment Consultancy Co., Ltd.) together with its 4 companies.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6–8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6–8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

22 June 2018

The Directors
Hopefluent Group Holdings Limited
Room 3611, 36th Floor
Shun Tak Centre West Tower
No. 200 Connaught Road Central
Hong Kong

Dear Sirs,

Re: Valuations of the market values of 合富輝煌(中國)房地產顧問有限公司 and its 95 companies and 保利地產投資顧問有限公司 and its 4 companies

1. INSTRUCTIONS

We refer to the instructions from Hopefluent Group Holdings Limited (referred to as the “Company”) for us to provide our independent opinion on the market values of 合富輝煌(中國)房地產顧問有限公司 and its 95 companies (referred to as the “Hopefluent China Group”) and 保利地產投資顧問有限公司 and its 4 companies (referred to as the “Poly Consultancy Group”).

2. DATE OF VALUATION

The date of valuation is 30 April 2018.

3. BASIS OF VALUATION

This report has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

Our valuations have been carried out on the basis of market value. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

4. BACKGROUND OF THE COMPANY, COOPERATION RESTRUCTURING, HOPEFLUENT CHINA GROUP AND POLY CONSULTANCY GROUP

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in the Cayman Islands and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (referred to as the “Hong Kong Stock Exchange”) (stock code: 733) since 2004. The Company is an investment holding company and its subsidiaries are principally engaged in the provision of real estate agency services, property management services and financial services in the People’s Republic of China (referred to as the “PRC”). The Company and its subsidiaries mainly operate through four segments. The primary real estate agency segment is engaged in the provision of first-hand property services to property developers. The secondary real estate agency segment is engaged in the provision of secondary property services. The financial services segment is engaged in the provision of mortgage referral and loan financing services to individuals or companies. The property management segment is engaged in the provision of building management services to property owners and residents.

Background of Hopefluent China Group

合富輝煌(中國)房地產顧問有限公司 (in English, for identification purpose only, Hopefluent (China) Real Estate Consultancy Co., Ltd.) (referred to as “Hopefluent China”) is a company established under the laws of the PRC with limited liability.

Hopefluent China Group represents Hopefluent China and its 95 companies after the internal corporate reorganisation being conducted by Hopefluent China for the purpose of the cooperation restructuring (referred to as the “Cooperation Restructuring”).

Background of Poly Consultancy Group

保利地產投資顧問有限公司 (in English, for identification purpose only, Poly Real Estate Investment Consultancy Co., Ltd.) (referred to as “Poly Consultancy”) is a company established under the laws of the PRC.

Poly Consultancy Group represents Poly Consultancy and its 4 companies after the internal corporate reorganisation being conducted by Poly Consultancy for the purpose of the Cooperation Restructuring.

Background of the Cooperation Restructuring

The Company and Poly Real Estate Group Co., Ltd. (referred to as “Poly Real Estate”) have agreed to integrate their respective primary and secondary real estate agency service businesses. For the purpose of the Cooperation Restructuring, each of the Company and Poly Real Estate will undergo a corporate reorganisation within its group of companies whereby (i) the Hopefluent China Group will be formed with Hopefluent China being the holding company holding 95 companies all of which are engaged in the provision of primary and secondary real estate agency services or related services, and (ii) the Poly Consultancy Group will be formed with Poly Consultancy being the holding company holding 4 companies all of which are engaged in the provision of primary and secondary real estate agency services or related services.

The Cooperation Restructuring refers to the cooperation restructuring of Hopefluent China, and Poly Consultancy where Poly Real Estate will make a capital contribution to Hopefluent China by way of injecting the entire equity interests of Poly Consultancy held by it into Hopefluent China and in return obtaining 43.9% of the entire equity interests in Hopefluent China as contemplated under the cooperation reorganisation agreement (合作重組協議) dated 7 May 2018 entered into by the Company, Hopefluent (Hong Kong) Limited and Poly Real Estate regarding the Cooperation Restructuring and the allotment and issue of the new shares, being 36,000,000 new shares of the Company to be allotted and issued at the issue price of HK\$4.20 per share, credited as fully paid, by the Company.

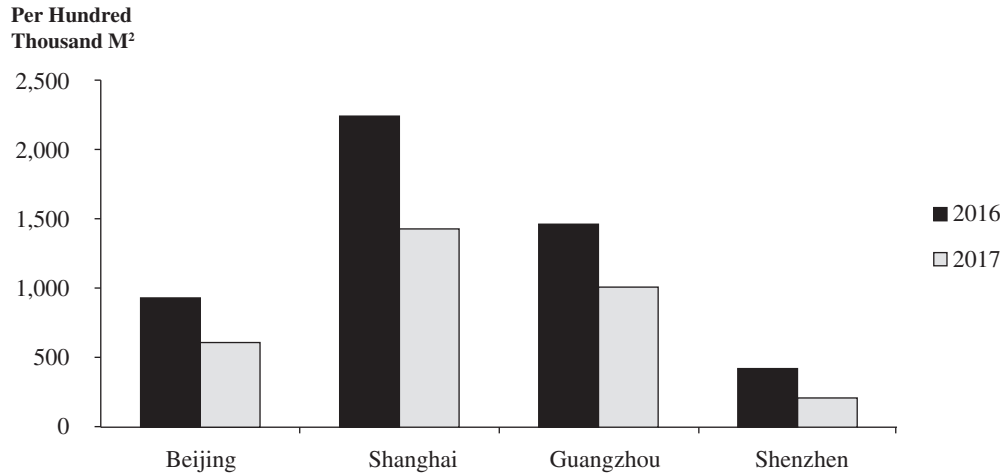
5. INDUSTRY OVERVIEW

The PRC Property Market

The average property price has surged in recent years in the PRC. Up to December 2017, the housing price has increased for 27 months consecutively. The properties are highly priced since the land supply remains steady and does not meet with the increasing demand. The ambition of moving to major cities mainly comes from better career opportunities, more decent residential facilities, well recognized firms and high technology firms. These factors have contributed to the investment desire and led to the rapid growth on property price. Therefore, the Central Government announced the launch of housing sales restrictions in May 2017, which has focused on minimizing the opportunities of speculative investment while maintaining stable property price. The result

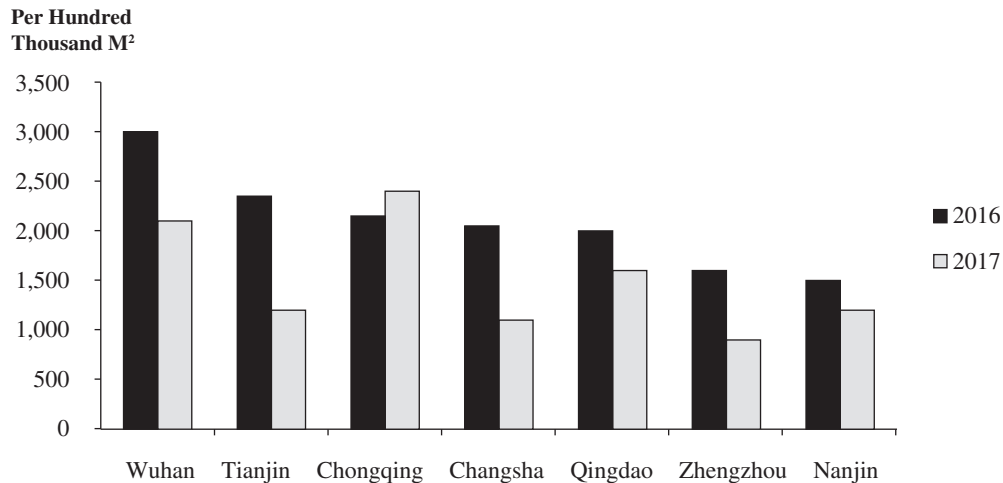
of steady or decline of property price in major cities in 2017 and within the first quarter of 2018 may relate to the launch of housing sales restrictions. The graph below shows that the growth rate of transaction volume in first and second tier cities has declined.

Figure 1: First Tier Cities Trading Volume



Source: Lianjia (Research Institute)

Figure 2: Second Tier Cities Trading Volume



Source: Lianjia (Research Institute)

Tailor made policies for individual cities are established and attempt to reduce the purchasing power and speculative investment on property market. For example, in order to purchase residential properties in Guangzhou, buyers are now required to provide income proofs from the previous 5 year, thus minimizing the number of non-local buyers. For families who have no credit records or have already settled mortgage but want to purchase a second residential property now need to pay at least 50% down payment instead of 30%. Also for buyers who do not own any residential properties but have credit

records are required to pay at least 40% down payment apart from Zengcheng and Conghua district. According to Fang.com, around 250 policies have been made from 90 cities until the end of 2017. In general, the policies are deployed through the adjustment on land supply ratio between residential and commercial properties, the control on land selling price to real estate developers, the limit on the number of self-owned properties, adjustment on mortgage or down payment level, balancing the purchasing right between foreign buyers and local citizenship, restricting the selling period in first hand market and so on.

On the other hand, the third and fourth tier cities draw back more investments from the major cities around since their housing policies are less tightened. The Central Government has launched favorable agriculture policies and subsidies to reinforce the buying interest along third and fourth line cities. They became the driving force to the growth of the average property price in 2017. During 2017, the total investment on real estate development reached to approximately RMB10,979.9 billion, increased by 7.0% when compared with the same period in 2016.

Property Sales Services Companies and Agencies

Property agents are pivotal force to drive the property sales amount for property sales service companies. Property agents provide professional knowledge, opinions and trading services for real estate activities. Buyers may retain financial advice, knowledge on property laws, government policies, and market information on commercial or residential real estate before making investment decisions.

Sizable property agencies have the strength to provide quality services as they commonly have cooperation agreements with banks, real estate developers, government and other investors. Their geographical advantage and brand image allow them to have higher exposure to customers. Property agencies also possess huge database sources so that they could retrieve market information more effectively. Some examples are overseas market price and property transaction records.

Lastly, under the information technology era, property companies further develop their services with high technology such as house viewing through virtual reality technologies.

In 2017, the total sales amount for residential and commercial properties reached to approximately RMB13,370 billion and the purchased areas was 255 million square metres, increased by 13.7% and 15.8% when compared with 2016 respectively.

6. SOURCE OF INFORMATION

For the purpose of our valuations, we have been furnished with the financial and operational information in respect of the Hopefluent China Group and the Poly Consultancy Group provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we have also obtained market data, industrial information and statistical figures from publicly available sources.

7. SCOPE OF WORKS

The following processes have been conducted by us during the course of our valuations:

- Obtained relevant financial and operational information in respect of the Hopefluent China Group and the Poly Consultancy Group from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of the Hopefluent China Group and the Poly Consultancy Group provided by the senior management of the Company;
- Conducted research to obtain sufficient market data, industry information and statistical figures from publicly available sources; and
- Prepared the valuations and this report in accordance with generally accepted valuation procedures and practices of international valuation standards.

8. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuations. The major assumptions adopted in our valuations are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Hopefluent China Group and the Poly Consultancy Group is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Hopefluent China Group and the Poly Consultancy Group is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;

- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the services of the Hopefluent China Group and the Poly Consultancy Group or similar services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the services of the Hopefluent China Group and the Poly Consultancy Group or similar services will not differ materially from those of present or expected;
- The services of the Hopefluent China Group and the Poly Consultancy Group or similar services are marketable and liquid, that there are active markets for the exchange of the services of the Hopefluent China Group and the Poly Consultancy Group or similar services; and
- The market data, industrial information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Hopefluent China Group and the Poly Consultancy Group have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of the Hopefluent China Group and the Poly Consultancy Group will not differ materially from those of present or expected;
- The financial and operational information in respect of the Hopefluent China Group and the Poly Consultancy Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- The Hopefluent China Group and the Poly Consultancy Group currently have, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Hopefluent China Group and the Poly Consultancy Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Hopefluent China Group and the Poly Consultancy Group;
- The Hopefluent China Group and the Poly Consultancy Group have acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be settled on time;

- The senior management of the Hopefluent China Group and the Poly Consultancy Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Hopefluent China Group and the Poly Consultancy Group;
- The senior management of the Hopefluent China Group and the Poly Consultancy Group has sufficient knowledge and experience in respect of the operation of Hopefluent China Group and the Poly Consultancy Group, and the turnover of any director, management or key person will not affect the operation of the Hopefluent China Group and Poly Consultancy Group;
- The senior management of the Hopefluent China Group and the Poly Consultancy Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Hopefluent China Group and the Poly Consultancy Group;
- The senior management of the Hopefluent China Group and the Poly Consultancy Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Hopefluent China Group and the Poly Consultancy Group; and
- The financial statements of the Hopefluent China Group and the Poly Consultancy Group as at the date of valuation on 30 April 2018 have no material difference from the respective financial statements as at 31 December 2017 as provided by the senior management of the Company.

9. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuations: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash

expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value.

The cost approach does not directly incorporate information about the economic benefits contributed by the subject asset.

Therefore, the market approach was considered to be the most appropriate valuation approach in the valuations, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

10. VALUATION METHODOLOGY

Under the market approach, guideline company method was adopted in the valuations. The guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset, with adjustments of control premium and discount for lack of marketability if applicable.

In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to the Hopefluent China Group and the Poly Consultancy Group were calculated. The price multiples are ratios that relate business value to some measure of the company's financial performance.

11. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuations, we referred to the information in respect of publicly listed companies that are considered to be comparable to the Hopefluent China Group and the Poly Consultancy Group (referred to as the "Comparable Companies").

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

Regarding the industry sector and geographical location of the Hopefluent China Group and the Poly Consultancy Group, the availability of the financial information in calculating the price multiples adopted in this valuations, the following criteria were considered as reasonable to select the Comparable Companies.

The selection criteria of the Comparable Companies are as follows:

- The principal activities of the Comparable Companies are located in the PRC, according to the latest available financial statements;
- As at the valuation date, the Comparable Companies are principally engaged in the property consultancy and agency and the related operation;

- The Comparable Companies have positive enterprise value and normalized earnings for the trailing 12 months as stated in the latest available financial statements. The normalized earnings are the earnings with exclusion of non-recurring and extraordinary items, such as gain or loss on disposal of operating assets;
- Shares of the Comparable Companies are trading as at the date of valuation; and
- Detailed financial information in respect of the Comparable Companies are available at publicly available sources.

Given the above selection criteria, by excluding companies with industry sector, geographical location and financial position that are considered not comparable to the Hopefluent China Group and the Poly Consultancy Group, the price multiple applied in the valuations would be more representative of the financial and operational information of the Hopefluent China Group and the Poly Consultancy Group.

Selected Comparable Companies

During the course of our valuations, we have considered to include the following listed companies as comparable companies. By evaluating the potential comparable companies with the abovementioned selection criteria, certain companies that are considered to be not comparable to the Hopefluent China Group and the Poly Consultancy Group have been excluded:

Name of Company	Stock Code	Stock Exchange	Reason for Exclusion
1. Fortune Sun (China) Holdings Limited	0352.HK	Hong Kong Stock Exchange	Normalised earnings of the company was negative for the trailing 12 months as stated in the latest available financial statements.
2. Hopefluent Group Holdings Limited	0733.HK	Hong Kong Stock Exchange	N/A
3. Midland Holdings Limited	1200.HK	Hong Kong Stock Exchange	Although the company has business operation in the PRC, the majority part of its revenues were derived from Hong Kong, instead of the PRC.
4. Fineland Real Estate Services Group Limited	8376.HK	Hong Kong Stock Exchange	N/A
5. Shenzhen Worldunion Properties Consultancy Inc.	002285.SZ	Shenzhen Stock Exchange	Majority part of revenues of the company were derived from Internet-based and asset management businesses, instead of property consultancy and agency businesses.

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Name of Company	Stock Code	Stock Exchange	Reason for Exclusion
6. Sinyi Realty Inc.	9940.TW	Taiwan Stock Exchange	Although the company has business operation in the PRC, the majority part of its revenues were derived from Taiwan, instead of the PRC.
7. Century 21 Real Estate of Japan Ltd.	8898.T	Tokyo Stock Exchange	Principal activities of the company are located in Japan, instead of the PRC.
8. APAC Realty Limited	APAC.SI	Singapore Exchange	Principal activities of the company are located in Singapore, instead of the PRC.

As a result, Hopefluent Group Holdings Limited and Fineland Real Estate Services Group Limited were adopted as the comparable companies, and the Comparable Companies were considered to be fair and representative samples. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Hopefluent Group Holdings Limited
Stock Code	:	0733.HK
Stock Exchange	:	Hong Kong Stock Exchange
Company Description	:	Hopefluent Group Holdings Limited is a Hong Kong-based investment holding company principally engaged in property agency businesses. It mainly operates through four segments. The primary property real estate agency segment is engaged in the provision of first-hand property services to property developers. The secondary property real estate agency segment is engaged in the provision of secondary property services. The financial services segment is engaged in the provision of mortgage referral and loan financing services to individuals or companies. The property management segment is engaged in the provision of building management services to property owners and residents. It mainly operates businesses in the PRC.

Comparable Company 2

Name of Company	:	Fineland Real Estate Services Group Limited
Stock Code	:	8376.HK
Stock Exchange	:	Hong Kong Stock Exchange
Company Description	:	Fineland Real Estate Services Group Limited is a company principally engaged in the real estate agency service. It provides property intermediary services through three main business segments. The property research and consultancy services segment is mainly engaged in the macroeconomic analyst of the market, planning and development strategies of the project. The real estate agency services segment is mainly engaged in the provision of property market information and agency services to our customers. The integrated services segment is mainly engaged in the provision of services to add value to customers, including property developers, individual customers and companies.

Although only one company except for the Group has been selected as the comparable company, by applying the selection criteria to select the most relevant comparable companies and excluding other companies with financial and operational information that may not be representative of the Hopefluent China Group and the Poly Consultancy Group, we considered that the Comparable Companies are fair and representative samples, and the comparable analysis is in line with generally accepted valuation practice as well as the market practice.

According to the International Valuation Standards, “The method (guideline publicly-traded comparable method under the market approach) should be used only when the subject asset is sufficiently similar to the publicly-traded comparables to allow for meaningful comparison,” and there is no indication on the requirement of minimum number of comparable companies. Therefore, instead of including other companies that may not be representative of the Hopefluent China Group and the Poly Consultancy Group, we selected the most relevant companies as the Comparable Companies that are sufficiently similar to allow for meaningful comparison, as required by the International Valuation Standards.

The market approach represents the result of a consensus of what others in the market have judged it to be. By selecting the most relevant comparable companies based on the selection criteria set out above, together with exclusion of non-recurring and extraordinary items in the course of our valuation that help minimising the difference in financial results due to company-specific issues, the resulting price multiple under the

market approach should represent the general performance of the companies in the same industry even if only one company is selected to be the comparable company in the valuation.

In contrast, the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset and the income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value. The cost approach is usually applied for valuation of companies that are fixed asset intensive, as the cost to replicate or replace a fixed asset is relatively reliable to estimate. For intangible asset intensive industries such as the service sector that the Hopefluent China Group and the Poly Consultancy Group are participating in, it is difficult to measure reliably the costs that would be required to replicate similar intangible assets held by the Hopefluent China Group and the Poly Consultancy Group or to redevelop such intangible assets as it currently exists. The income approach is usually applied for valuation of companies with unique business operation. In addition, similar to the market approach, the income approach also relies heavily on the selection of comparable companies, especially in the determination of the discount rate, an important parameter in applying the income approach.

Since the subject assets involve a significant part of the core business operation of the Group, the price multiple of the Group itself should be representative of a consensus of what others in the market place have judged the value of the subject assets to be. Together with another comparable company (i.e. Finland Real Estate Services Group Limited) which we considered to be the most relevant based on our selection criteria, the resulting concluded value under the market approach was considered to be the most direct method without heavily reliance on subjective assumptions, and thus gives a more objective view on the values of the Hopefluent China Group and the Poly Consultancy Group.

Although only one company except for the Group has been selected as the comparable company, after considering the appropriateness and limitations of these three valuation approaches to the Hopefluent China Group and the Poly Consultancy Group as abovementioned, the market approach, as the most direct valuation approach, is still considered to be the most appropriate valuation approach for the valuation.

Price Multiples

In the course of our valuations, we have considered various price multiples including the price-to-earnings (P/E) multiple, price-to-sales (P/S) multiple and the price-to-book (P/B) multiple.

The P/S multiple does not capture differences in cost structure across companies and the P/B multiple does not reflect the value of intangible economic assets such as human capital, and inflation and technological change can cause the book values and market values of assets to differ significantly, therefore the P/E multiple is considered more appropriate because it considers the profitability of different companies.

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For our valuations, we have adopted the P/E multiple in assessing the values of the Hopefluent China Group and the Poly Consultancy Group.

The P/E multiple is a commonly used equity multiple as it has taken into consideration the differences in cost structure across companies. The P/E multiple is calculated as the share price divided by earnings per share (EPS) or calculated as the market capitalization divided by earnings. The financial information for the calculation of the P/E multiples of the Comparable Companies was extracted from the corresponding financial statements of the Comparable Companies.

The P/E multiples of the Comparable Companies are as follows:

Stock Code	Company Name	P/E Multiple
0733.HK	Hopefluent Group Holdings Limited	7.50
8376.HK	Fineland Real Estate Services Group Limited	<u>9.38</u>
	Average:	<u><u>8.44</u></u>

In applying the P/E multiple, the average of the P/E multiples of the Comparable Companies of 8.44 was multiplied by the earnings of the Hopefluent China Group and the Poly Consultancy Group respectively to determine the equity value of the Hopefluent China Group and the Poly Consultancy Group respectively. The basis of determining the earnings was consistently applied to the Comparable Companies, the Hopefluent China Group and the Poly Consultancy Group respectively with exclusion of non-recurring and extraordinary items. The resulting equity value of marketable and non-controlling interest was then further adjusted by the discount for lack of marketability and the control premium to derive our conclusion of valuations.

Discount for Lack of Marketability (DLOM)

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

DLOM reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Hopefluent China Group and the Poly Consultancy Group are unlikely to undergo public offering and shares of the Hopefluent China Group and the Poly Consultancy Group are unlikely to be listed in any major stock exchange or be marketable

in any over-the-counter market in the near future, the ownership interest in the Hopefluent China Group and the Poly Consultancy Group are not readily marketable. However, the P/E multiples adopted in the valuation were calculated from publicly listed companies, which represent marketable ownership interest; value calculated using P/E multiples, therefore, represent the marketable interest. Thus, DLOM was adopted to adjust such marketable interest value to non-marketable interest value.

According to the Stout Restricted Stock Study, published by Business Valuation Resources, LLC in 2017, DLOM is estimated as the percentage difference between the private placement price per share and the market trading price per share. 744 relevant private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through February 2017 have been examined in the Stout Restricted Stock Study. Premium in the market for restricted stock, which is considered as the result of an investment opportunity not available to other investors or an unidentifiable relationship with the seller has been excluded.

The Stout Restricted Stock Study analyzes the transaction database and provides mean and median discount rates. Since the median rate is not affected by abnormal extreme high and low values, we adopted the median discount rate of 15.90% calculated from the 744 transactions in the Stout Restricted Stock Study as DLOM for the valuation.

Control Premium

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/E multiples adopted in the valuation was calculated from publicly listed companies, which represents minority ownership interest; value calculated using such P/E multiples, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest value to controlling interest value.

According to the Mergerstat Control Premium Study published by FactSet Mergerstat, LLC., control premium is expressed as a percentage of the unaffected marketable minority price per share. Completed transactions whereby 50.01% or more of a company was acquired and where target companies were publicly traded have been examined in the Mergerstat Control Premium Study.

The Mergerstat Control Premium Study is a comprehensive and updated research on control premium with empirical support done by FactSet Mergerstat, LLC., which is an independent information provider of merger and acquisition information. We are not aware of any other widely accepted control premium study with equivalent quality in terms of size of database and timeliness. Therefore, we adopted the Mergerstat Control Premium Study as the reference for control premium.

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According to the Mergerstat Control Premium Study, the mean and median premiums were gathered from merger and acquisition transactions of the property agency industry up to the end of 2017, which includes the most updated market data. Since the median rate is not affected by abnormal extreme high and low values, the control premium in the valuation was determined with reference to the median premium of 24.6%.

With consideration of the discount for lack of marketability and the control premium, the value of the Hopefluent China Group was calculated as follows:

Value of Non-marketable and Controlling Interest

= *Value of Marketable and Non-controlling Interest x (1-DLOM) x (1 + Control Premium)*

As the Poly Consultancy Group would remain its minority ownership interest after the Corporate Restructuring with consideration of the discount for lack of marketability, the value of Poly Consultancy Group was calculated as follows:

Value of Non-marketable and Controlling Interest

= *Value of Marketable and Non-controlling Interest x (1-DLOM)*

Adopted Parameters of Valuation

The values of the Hopefluent China Group and the Poly Consultancy Group using P/E multiple respectively are as follows:

	Value before adjusting the DLOM and the control premium (HK\$)	Value after adjusting the DLOM and the control premium (HK\$)
Hopefluent China Group	2,130,000,000	2,220,000,000
Poly Consultancy Group	2,060,000,000	1,730,000,000

12. REMARKS

For the purpose of our valuations, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$).

13. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, Poly Real Estate, the Hopefluent China Group, the Poly Consultancy Group or the result reported. In addition, our directors are neither directors nor officers of the Company, Poly Real Estate, the Hopefluent China Group or the Poly Consultancy Group.

In the course of our valuations, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

14. CONCLUSION OF VALUES

Our conclusion of values is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, Poly Real Estate, the Hopefluent China Group, the Poly Consultancy Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the market values of Hopefluent (China) Real Estate Consultancy Co., Ltd. and its 95 companies (i.e. the “Hopefluent China Group”) and Poly Real Estate Investment Consultancy Co., Ltd. and its 4 companies (i.e. the “Poly Consultancy Group”) were as follows:

As at 30 April 2018

Hopefluent China Group	HK\$2,220,000,000
Poly Consultancy Group	HK\$1,730,000,000

We hereby certify that we have neither present nor prospective interest in the Company, Poly Real Estate, the Hopefluent China Group, the Poly Consultancy Group or the results reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Dr. Tony C. H. Cheng

*BSc(Bldg), MUD, MBA(Finance), MSc. (Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, CPA UK, SIFM,
MCI Arb, MASCE, MHKIE, MIEEE, MASME, MIIE
Managing Director*

Note: Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in Hong Kong and the PRC.

PART A

The companies held by Hopefluent China within the Hopefluent China Group following the completion of the internal corporate reorganisation as contemplated under the Cooperation Agreement

Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/ Indirect)
1	Guangdong Hope Real Properties Limited* (廣東合富房地產置業有限公司)	Provision of real estate agency services	100.0%
2	Guangzhou House Experts Information Technology Limited* (廣州房專家信息科技有限公司)	Provision of real estate information technology consulting services	100.0%
3	Guangdong Hopefluent Commercial Properties Consultancy Limited* (廣東合富輝煌商業地產顧問有限公司)	Provision of real estate agency services	100.0%
4	Guangzhou Hopefluent Real Properties Consultancy Limited* (廣州合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
5	Guangdong Hopefluent Real Properties Consultancy Limited* (廣東合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
6	Guangzhou Hope Technology Limited* (廣州合富科技有限公司)	Provision of real estate information technology consulting services	100.0%
7	Guangzhou House King Business Services Limited* (廣州房王商務服務有限公司)	Provision of real estate information technology consulting services	100.0%
8	Guangzhou Bola Finance Consultancy Limited* (廣州保來理財顧問有限公司)	Provision of mortgage referral services	100.0%
9	Guangzhou Ruili Advertising Limited* (廣州銳力廣告有限公司)	Provision of real estate advertising services	100.0%

APPENDIX VI

LISTS OF COMPANIES WITHIN THE HOPEFLUENT
CHINA GROUP AND THE POLY CONSULTANCY GROUP

Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/Indirect)
10	Zhanjiang Hopefluent Real Properties Consultancy Limited* (湛江合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
11	Shaoguan Hopefluent Real Properties Consultancy Limited* (韶關合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
12	Qingyuan Hope Real Properties Limited* (清遠合富房地產置業有限公司)	Provision of real estate agency services	100.0%
13	Qingyuan Hopefluent Real Properties Consultancy Limited* (清遠合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
14	Hainan Hopefluent Real Properties Consultancy Limited* (海南合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
15	Dongguan Hope Realty Limited* (東莞市合富置業有限公司)	Provision of real estate agency services	100.0%
16	Dongguan Hopefluent Real Properties Consultancy Limited* (東莞市合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
17	Dongguan House King Network Technology Limited* (東莞市房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
18	Foshan Hope Realty Consultancy Limited* (佛山市合富置業房地產顧問有限公司)	Provision of real estate agency services	100.0%
19	Foshan Bonto Marketing Limited* (佛山市邦拓活動策劃有限公司)	Provision of real estate advertising services	100.0%
20	Foshan Hopefluent Real Properties Consultancy Limited* (佛山市合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%

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Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/Indirect)
21	Foshan Chuang Ke Hui Real Properties Consultancy Limited* (佛山市創客匯房地產顧問有限公司)	Provision of real estate agency services	100.0%
22	Foshan Great Profits Properties Consultancy Limited* (佛山市廣盈房地產顧問有限公司)	Provision of real estate agency services	100.0%
23	Foshan House King Information Technology Limited* (佛山市房王信息科技有限公司)	Provision of real estate information technology consulting services	100.0%
24	Shantou Hopefluent Real Properties Brokerage Limited* (汕頭合富輝煌房地產經紀有限公司)	Provision of real estate agency services	100.0%
25	Zhaoqing Hopefluent Real Properties Consultancy Limited* (肇慶合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
26	Zhaoqing House King Network Technology Limited* (肇慶房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
27	Zhuhai Hope Realty Consultancy Limited* (珠海合富置業顧問有限公司)	Provision of real estate agency services	100.0%
28	Zhuhai Hopefluent Real Properties Consultancy Limited* (珠海合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
29	Zhuhai House King Network Technology Limited* (珠海房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
30	Zhongshan Hopefluent Real Properties Consultancy Limited* (中山合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%

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Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/ Indirect)
31	Shenzhen Hope Profits Properties Consultancy Limited* (深圳合盈房地產顧問有限公司)	Provision of real estate agency services	100.0%
32	Shenzhen Hopefluent Real Properties Consultancy Limited* (深圳合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
33	Huizhou Hopefluent Real Properties Consultancy Limited* (惠州合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
34	Shenzhen House King Network Technology Limited* (深圳房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
35	Huizhou House King Network Technology Limited* (惠州房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
36	Jiangsu Hopefluent Real Properties Consultancy Limited* (江蘇合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
37	Xuzhou Hopefluent Real Properties Consultancy Limited* (徐州合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
38	Suzhou Hopefluent Real Properties Brokerage Limited* (蘇州合富輝煌房地產經紀有限公司)	Provision of real estate agency services	100.0%
39	Suzhou Great Profits Properties Brokerage Limited* (蘇州廣盈房地產經紀有限公司)	Provision of real estate agency services	100.0%
40	Jiangsu House King Network Technology Limited* (江蘇房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%

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Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/Indirect)
41	Shanghai Hope Realty Consultancy Limited* (上海合富置業顧問有限公司)	Provision of real estate agency services	100.0%
42	Shanghai Hopefluent Real Properties Brokerage Limited* (上海合富輝煌房地產經紀有限公司)	Provision of real estate agency services	100.0%
43	Shanghai Shenhe Properties Brokerage Limited* (上海申合房地產經紀有限公司)	Provision of real estate agency services	100.0%
44	Shanghai Fangyi Information Technology Limited* (上海房翊信息技術有限公司)	Provision of real estate information technology consulting services	100.0%
45	Quanzhou Hopefluent Real Properties Brokerage Limited* (泉州合富輝煌房地產經紀有限公司)	Provision of real estate agency services	100.0%
46	Shandong Huijin Futu Culture Promotion Limited* (山東匯錦富圖文化傳媒有限公司)	Provision of real estate advertising services	100.0%
47	Shandong Hopefluent Real Properties Consultancy Limited* (山東合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
48	Shandong House King Network Technology Limited* (山東房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
49	Hangzhou Hope Realty Services Limited* (杭州合富置業置換服務有限公司)	Provision of real estate agency services	100.0%
50	Huzhou Hopefluent Real Properties Brokerage Limited* (湖州合富輝煌房地產經紀有限公司)	Provision of real estate agency services	100.0%

APPENDIX VI

LISTS OF COMPANIES WITHIN THE HOPEFLUENT
CHINA GROUP AND THE POLY CONSULTANCY GROUP

Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/Indirect)
51	Zhejiang Hopefluent Real Properties Consultancy Limited* (浙江合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
52	Zhejiang House King Network Technology Limited* (浙江房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
53	Zhejiang Heduo Real Properties Agency Limited* (浙江合都房地產代理有限公司)	Provision of real estate agency services	50.0%
54	Anhui Hope Realty Consultancy Limited* (安徽合富置業顧問有限公司)	Provision of real estate agency services	100.0%
55	Anhui Hope Decoration Limited* (安徽合富美築裝飾有限公司)	Provision of real estate decoration services	100.0%
56	Hefei Xian Jian Zhi Ming Advertising Limited* (合肥先見之名廣告有限公司)	Provision of real estate advertising services	100.0%
57	Anhui Hopefluent Real Properties Consultancy Limited* (安徽合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
58	Anhui New Profits Properties Consultancy Limited* (安徽新盈房地產顧問有限公司)	Provision of real estate agency services	100.0%
59	Anhui House King Network Technology Limited* (安徽房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
60	Hubei Hope Realty Brokerage Limited* (湖北合富置業經紀有限公司)	Provision of real estate agency services	100.0%
61	Hubei Hopefluent Real Properties Consultancy Limited* (湖北合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%

APPENDIX VI**LISTS OF COMPANIES WITHIN THE HOPEFLUENT
CHINA GROUP AND THE POLY CONSULTANCY GROUP**

Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/ Indirect)
62	Hubei House King Network Technology Limited* (湖北房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
63	Hunan Hopefluent Real Properties Consultancy Limited* (湖南合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
64	Hunan House King Network Technology Limited* (湖南房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
65	Jiangxi Hope Realty Consultancy Limited* (江西合富置業顧問有限公司)	Provision of real estate agency services	100.0%
66	Jiangxi Hopefluent Real Properties Marketing Limited* (江西合富輝煌房地產營銷有限公司)	Provision of real estate agency services	100.0%
67	Jiangxi House King Network Technology Limited* (江西房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
68	Guangxi Hopefluent Real Properties Consultancy Limited* (廣西合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
69	Guangxi House King Network Technology Limited* (廣西房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
70	Guizhou Hopefluent Real Properties Consultancy Limited* (貴州合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
71	Guizhou House King Network Technology Limited* (貴州房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%

APPENDIX VI

LISTS OF COMPANIES WITHIN THE HOPEFLUENT
CHINA GROUP AND THE POLY CONSULTANCY GROUP

Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/ Indirect)
72	Shaanxi Hopefluent Real Properties Consultancy Limited* (陝西合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
73	Shaanxi Hope Profits Properties Consultancy Limited* (陝西合盈房地產顧問有限公司)	Provision of real estate agency services	100.0%
74	Shaanxi House King Network Technology Limited* (陝西房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
75	Xinjiang Hopefluent Real Properties Consultancy Limited* (新疆合富輝煌房地產顧問有限公司)	Provision of real estate agency services	55.0%
76	Sichuan Hopefluent Real Properties Consultancy Limited* (四川合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
77	Sichuan House King Network Technology Limited* (四川房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
78	Chongqing Hopefluent Real Properties Consultancy Limited* (重慶合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
79	Chongqing House King Technology Limited* (重慶房王科技有限公司)	Provision of real estate information technology consulting services	100.0%
80	Tianjin Hope Profits Culture Promotion Limited* (天津合盈文化傳播有限公司)	Provision of real estate advertising services	100.0%
81	Tianjin Hopefluent Real Properties Sales and Marketing Limited* (天津合富輝煌房地產營銷策劃有限公司)	Provision of real estate agency services	100.0%

APPENDIX VI

LISTS OF COMPANIES WITHIN THE HOPEFLUENT
CHINA GROUP AND THE POLY CONSULTANCY GROUP

Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/Indirect)
82	Tianjin House King Network Technology Limited* (天津房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
83	Langfang New Profits Properties Brokerage Limited* (廊坊市新盈房地產經紀有限公司)	Provision of real estate agency services	100.0%
84	Liaoning Hopefluent Real Properties Consultancy Limited* (遼寧合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
85	Shenyang Hopefluent Real Properties Agency Limited* (瀋陽合富輝煌房地產代理有限公司)	Provision of real estate agency services	100.0%
86	Henan Hopefluent Real Properties Consultancy Limited* (河南合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
87	Henan House King Network Technology Limited* (河南房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
88	Beijing Hopefluent Real Properties Consultancy Limited* (合富輝煌房地產顧問(北京)有限公司)	Provision of real estate agency services	100.0%
89	Inner Mongolia House King Network Technology Limited* (內蒙古房王網絡科技有限公司)	Provision of real estate information technology consulting services	100.0%
90	Shanxi Hopefluent Real Properties Consultancy Limited* (山西合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
91	Shenzhen Chuang Yu Leasing Services Limited* (深圳創寓租賃服務有限公司)	Provision of apartment leasing and management services	66.7%

Number	Name of company	Scope of business	Shareholding held by Hopefluent China (Direct/Indirect)
92	Chaozhou Hopefluent Real Properties Consultancy Limited* (潮州市合富輝煌房地產顧問有限公司)	Provision of real estate agency services	100.0%
93	Guangzhou Hope Profits Properties Intermediary Agency Limited* (廣州合盈房地產中介代理有限公司)	Provision of real estate agency services	100.0%
94	Guangzhou New Profits Properties Intermediary Agency Limited* (廣州新盈房地產中介代理有限公司)	Provision of real estate agency services	100.0%
95	Foshan Guangjin Properties Consultancy Limited* (佛山市廣金房地產顧問有限公司)	Provision of real estate agency services	100.0%

* for identification purpose only

PART B

The companies held by Poly Consultancy within the Poly Consultancy Group following the completion of the internal corporate reorganisation as contemplated under the Cooperation Agreement

Number	Name of company	Scope of business	Shareholding held by Poly Consultancy (Direct/indirect)
1	Tibet Ying Kai Real Properties Consultancy Limited* (西藏贏凱房產諮詢有限公司)	Provision of real estate agency services	100.0%
2	Tibet Poly Aijia Real Properties Brokerage Limited* (西藏保利愛家房地產經紀有限公司)	Provision of real estate agency services	40.0%
3	Chongqing Ruiyun Technology Limited* (重慶銳雲科技有限公司)	Provision of real estate information technology consulting services	34.0%
4	Anhui Poly Aijia Realty Consultancy Limited* (安徽保利愛家置業有限公司)	Provision of real estate agency services	40.0%

* for identification purpose only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in the securities of the Company and its associated corporation

Save as disclosed below, as at the Latest Practicable Date and so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares or underlying shares

Name of Director	Company/name of associated company	Nature of interest	Number of securities	Approximate percentage of shareholding/control
Mr. Fu Wai Chung	The Company	Interest of a controlled corporation	174,184,799 <i>(Note 1)</i>	26.08%
		Interest of a controlled corporation	47,718,000 <i>(Note 2)</i>	7.14%
		Beneficial owner	26,984,334	4.04%
	Fu's Family Limited	Interest of a controlled corporation	70 <i>(Note 3)</i>	70.00%
	China-net Holding Ltd.	Interest of a controlled corporation	100	100.00%

Name of Director	Company/name of associated company	Nature of interest	Number of securities	Approximate percentage of shareholding/control
Mr. Mo Tianquan	The Company	Interest of controlled corporations	108,771,037 (Note 4)	16.28%
Ms. Ng Wan	The Company	Beneficial owner	6,176,334	0.92%

Notes:

- (1) The Shares are registered in the name of Fu's Family Limited, a company owned as to 70% by Mr. Fu Wai Chung, the chairman of the Board and an executive Director. Mr. Fu is deemed to be interested in the Shares held by Fu's Family Limited under the SFO.
- (2) The Shares are registered in the name of China-net Holding Ltd., a company wholly owned by Mr. Fu Wai Chung. Mr. Fu is deemed to be interested in the Shares held by China-net Holding Ltd. under the SFO.
- (3) Fu's Family Limited is owned as to 70% by Mr. Fu Wai Chung and as to 15% by Ms. Ng Wan, the spouse of Mr. Fu Wai Chung and an executive Director and 15% by Ms. Fu Man, sister of Mr. Fu Wai Chung and an executive Director.
- (4) The Shares are registered in the name of Fang Holdings Limited (formerly known as SouFun Holdings Limited), a company owned as to 37.65% by Media Partner Technology Limited and 34.29% by Next Decade Investments Limited. Media Partner Technology Limited is wholly owned by Caldstone Enterprises Limited, while Next Decade Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited. Caldstone Enterprises Limited, Serangoon Limited and Seletar Limited are trustees. Mr. Mo Tianquan is the founder of these trusts who is deemed to be interested in the Shares under the SFO.

(b) Substantial Shareholders' interests

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying shares (including any interest in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares or underlying shares

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Value Partners Group Limited	Interest of a controlled corporation	33,512,000 (Note 1)	5.02%
Value Partners Hong Kong Limited	Interest of a controlled corporation	33,512,000 (Note 2)	5.02%
Value Partners Limited	Beneficial owner	33,512,000	5.02%
Caldstone Enterprises Limited	Interest of a controlled corporation	108,771,037 (Note 3)	16.28%
Media Partner Technology Limited	Interest of a controlled corporation	108,771,037 (Note 3)	16.28%
Next Decade Investments Limited	Interest of a controlled corporation	108,771,037 (Note 3)	16.28%
Seletar Limited	Interest of a controlled corporation	108,771,037 (Note 3)	16.28%
Serangoon Limited	Interest of a controlled corporation	108,771,037 (Note 3)	16.28%
Fang Holdings Limited	Beneficial owner	108,771,037	16.28%
Fu's Family Limited	Beneficial owner	174,184,799	26.08%
China-net Holding Ltd.	Beneficial owner	47,718,000	7.14%

Notes:

- (1) The Shares are registered in the name of Value Partners Limited, an indirect wholly owned subsidiary of Value Partners Group Limited. Under the SFO, Value Partners Group Limited is deemed to be interested in the Shares held by Value Partners Limited.
- (2) The Shares are registered in the name of Value Partners Limited, a direct wholly owned subsidiary of Value Partners Hong Kong Limited. Under the SFO, Value Partners Hong Kong Limited is deemed to be interested in the Shares held by Value Partners Limited.
- (3) Please refer to Note (4) of the section headed “2. Disclosure of Interests — (a) Directors’ interests in the securities of the Company and its associated corporation” of this Appendix. Caldstone Enterprises Limited, Media Partner Technology Limited, Next Decade Investments Limited, Seletar Limited and Serangoon Limited are deemed to be interested in the Shares held by Fang Holdings Limited under the SFO.

3. DIRECTORS’ INTERESTS IN ASSETS/ CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date,

- (a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Company were made up.

4. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Enlarged Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Enlarged Group.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

Save for the Cooperation Agreement, the Enlarged Group has not entered into any contract (not being contract entered into in the ordinary course of business carried on or intended to be carried on by the Enlarged Group) within the two years immediately preceding the date of this circular and which is or may be material.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

Name	Qualification
BDO Limited	Certified public accountants
Deloitte Touche Tohmatsu	Certified public accountants
BMI Appraisals Limited	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, each of the above experts had no shareholding directly or indirectly in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group, nor did it have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2017, the date to which the latest published audited financial statements of the Company were made up.

9. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Room 3611, 36th Floor, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong.
- (c) The company secretary of the Company is Mr. Lo Hang Fong, solicitor, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over their Chinese text in case of inconsistencies.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 39/F Gloucester Tower, The Landmark, 15, Queen's Road Central, Hong Kong on any Business Day for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017, respectively;
- (c) the accountant's reports of the Original PC Group, the text of which is set out in Appendix II of this circular;
- (d) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;
- (e) the valuation report of the Hopefluent China Group and the Poly Consultancy Group issued by the Independent Valuer, the text of which is set out in Appendix V of this circular;
- (f) the written consent of each of the experts referred to in the section headed "Experts and Consents" in this Appendix;
- (g) the Cooperation Agreement; and
- (h) this circular.

NOTICE TO THE EGM



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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Meeting**”) of Hopefluent Group Holdings Limited (the “**Company**”) will be held at Admiralty and The Peak, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 19 July 2018 (Thursday) at 3:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular of the Company dated 22 June 2018 shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTION

“**THAT:**

- (a) the Cooperation Agreement (a copy of which has been produced to the Meeting and marked “A” and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of, and permission to deal in, the New Shares, the Directors be and are hereby authorised to allot and issue the New Shares in accordance with the terms and conditions of the Cooperation Agreement; and
- (c) any one Director be and is hereby authorised to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things that are of administrative nature only and ancillary to the transactions contemplated under the Cooperation Agreement, as he/she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Cooperation Agreement and the transactions contemplated thereunder, including without limitation the allotment and issue of the New Shares, and to agree to such variations of the terms and conditions of the Cooperation Agreement and the transactions contemplated thereunder that are of administrative nature only as he or she may in his or her absolute discretion consider necessary or desirable.”

Yours faithfully,
By order of the Board
Hopefluent Group Holdings Limited
Fu Wai Chung
Chairman

Hong Kong, 22 June 2018

NOTICE TO THE EGM

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the Meeting.
5. For the purpose of ascertaining the entitlement of the members of the Company to attend and vote at the Meeting, the register of members of the Company will be closed from 16 July 2018 (Monday) to 19 July 2018 (Thursday), both days inclusive, and no transfer of the shares in the Company will be registered during such period. Members whose names appear on the register of members of the Company on 19 July 2018 (Thursday) will be entitled to attend and vote at the Meeting. In order to be entitled to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, 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 13 July 2018 (Friday).