



**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

**2022**

**Interim Report**



The board of directors (the “Directors”) of Hopefluent Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022, together with comparative figures for the corresponding period in 2021 as follows:

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Revenue	4	2,973,645	3,931,313
Other income		13,826	23,481
Selling expenses		(3,049,435)	(3,413,986)
Administrative expenses		(328,760)	(455,102)
Loss allowance on financial assets		(19,918)	(2,671)
Share of results of associates and a joint venture		2,155	3,966
Impairment of goodwill	11	(206,040)	–
Finance costs	5	(27,123)	(29,890)
(Loss)/profit before tax		(641,650)	57,111
Income tax expense	6	(22,225)	(15,173)
<b>(Loss)/profit for the period</b>	7	<b>(663,875)</b>	41,938
<b>Other comprehensive (expense)/income for the period</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(150,215)	21,665
<b>Total comprehensive (expense)/income for the period</b>		<b>(814,090)</b>	63,603

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>(Loss)/profit for the period attributable to:</b>			
— Owners of the Company		(487,174)	32,799
— Non-controlling interests		(176,701)	9,139
		(663,875)	41,938
<b>Total comprehensive (expense)/income for the period attributable to:</b>			
— Owners of the Company		(598,751)	45,690
— Non-controlling interests		(215,339)	17,913
		(814,090)	63,603
Dividends	8	–	3,371
<b>(Loss)/earnings per share</b>	9		
— Basic and diluted		HK(72.26) cents	HK4.87 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022	31 December 2021
		HK\$'000 (unaudited)	HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties		<b>115,925</b>	138,836
Property, plant, equipment	10	<b>252,216</b>	324,976
Right-of-use assets	10	<b>128,338</b>	270,524
Goodwill	11	<b>12,564</b>	218,604
Interests in associates and a joint venture		<b>4,053</b>	40,882
Loan receivables		<b>159,546</b>	84,916
Other receivables and deposits		<b>7,141</b>	18,157
Deferred tax assets		<b>114,536</b>	155,704
		<b>794,319</b>	1,252,599
<b>CURRENT ASSETS</b>			
Accounts receivable	12	<b>782,417</b>	1,204,202
Loan receivables		<b>495,647</b>	560,408
Security deposits		<b>39,311</b>	1,424,063
Other receivables, deposits and prepayments		<b>683,775</b>	787,010
Amount due from a joint venture		<b>16,285</b>	23,499
Financial assets at fair value through profit or loss ("FVTPL")	13	<b>8,760</b>	10,425
Pledged bank deposits		<b>10,526</b>	10,976
Bank balances and cash		<b>486,403</b>	1,720,919
		<b>2,523,124</b>	5,741,502
A disposal group classified as held for sale	16	<b>2,784,011</b>	–
		<b>5,307,135</b>	5,741,502
<b>CURRENT LIABILITIES</b>			
Payables and accruals	14	<b>289,538</b>	1,123,693
Contract liabilities		<b>26,199</b>	837,505
Lease liabilities		<b>23,822</b>	91,243
Tax liabilities		<b>96,423</b>	87,994
Amount due to an associate		<b>4,678</b>	4,900
Bank and other borrowings		<b>179,146</b>	326,747
		<b>619,806</b>	2,472,082
Liabilities associated with a disposal group classified as held for sale	16	<b>1,834,244</b>	–
		<b>2,454,050</b>	2,472,082
<b>NET CURRENT ASSETS</b>		<b>2,853,085</b>	3,269,420
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,647,404</b>	4,522,019

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2022

	Notes	30 June 2022	31 December 2021
		HK\$'000 (unaudited)	HK\$'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>84,928</b>	158,015
Deferred tax liabilities		<b>61,750</b>	62,206
Bank and other borrowings		<b>202,339</b>	189,321
		<b>349,017</b>	409,542
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>6,741</b>	6,741
Share premium and reserves		<b>2,341,181</b>	2,939,932
Equity attributable to owners of the Company		<b>2,347,922</b>	2,946,673
Non-controlling interests		<b>950,465</b>	1,165,804
<b>TOTAL EQUITY</b>		<b>3,298,387</b>	4,112,477
		<b>3,647,404</b>	4,522,019

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory surplus reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	6,741	436,862	29,315	132,698	(24,289)	5,527	2,892,362	3,479,216	1,333,713	4,812,929
Other comprehensive income for the period	-	-	-	-	12,891	-	-	12,891	8,774	21,665
Profit for the period	-	-	-	-	-	-	32,799	32,799	9,139	41,938
Total comprehensive income for the period	-	-	-	-	12,891	-	32,799	45,690	17,913	63,603
At 30 June 2021 (unaudited)	6,741	436,862	29,315	132,698	(11,398)	5,527	2,925,161	3,524,906	1,351,626	4,876,532
Other comprehensive income for the period	-	-	-	-	38,615	-	-	38,615	35,709	74,324
Loss for the period	-	-	-	-	-	-	(577,598)	(577,598)	(217,067)	(794,665)
Total comprehensive income/(expense) for the period	-	-	-	-	38,615	-	(577,598)	(538,983)	(181,358)	(720,341)
Dividends recognised as distribution	-	(20,225)	-	-	-	-	-	(20,225)	-	(20,225)
Disposal of a subsidiary	-	-	-	-	142	-	(19,167)	(19,025)	(5,910)	(24,935)
Capital contributed from non-controlling interests	-	-	-	-	-	-	-	-	1,446	1,446
Transfer	-	-	-	23,185	-	-	(23,185)	-	-	-
At 31 December 2021 (audited)	6,741	416,637	29,315	155,883	27,359	5,527	2,305,211	2,946,673	1,165,804	4,112,477
Other comprehensive expense for the period	-	-	-	-	(111,577)	-	-	(111,577)	(38,638)	(150,215)
Loss for the period	-	-	-	-	-	-	(487,174)	(487,174)	(176,701)	(663,875)
Total comprehensive expense for the period	-	-	-	-	(111,577)	-	(487,174)	(598,751)	(215,339)	(814,090)
At 30 June 2022 (unaudited)	<b>6,741</b>	<b>416,637</b>	<b>29,315</b>	<b>155,883</b>	<b>(84,218)</b>	<b>5,527</b>	<b>1,818,037</b>	<b>2,347,922</b>	<b>950,465</b>	<b>3,298,387</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	<b>(125,746)</b>	277,091
Net cash used in investing activities	<b>(4,599)</b>	(11,280)
Net cash used in financing activities	<b>(166,414)</b>	(184,362)
Net (decrease)/increase in cash and cash equivalents	<b>(296,759)</b>	81,449
Cash and cash equivalents at beginning of the period	<b>1,720,919</b>	2,877,029
Effect of foreign exchange rate changes	<b>(89,079)</b>	14,578
Bank balances and cash transfer to assets held for sale	<b>(848,678)</b>	–
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>486,403</b>	2,973,056

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 1. GENERAL INFORMATION

Hopefluent Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company and its subsidiaries (the “Group”) are principally engaged in provision of property real estate agency services and mortgage referral and loan financing services.

## 2. BASIS OF PREPARATION

The unaudited condensed interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, issued by the Hong Kong Institute of Certified Public Accountant (the “HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

The interim financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those relating to new periods beginning on or after 1 January 2022. Details of any changes in accounting policies are set out in note 3.

The preparation of these interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. For the areas where significant judgments and estimates have been made in preparing these interim financial statements, the Company’s accounting policies applied and the key sources of estimation uncertainty were the same as those that applied to 2021 annual financial statements.

These interim financial statements are presented in Hong Kong dollars (“HK\$”) and all amounts are rounded to the nearest thousand (“HK\$’000”) except otherwise indicated. These interim financial statements contain consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2021 annual financial statements. These interim financial statements and the notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and should be read in conjunction with the 2021 annual financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial assets at FVTPL which are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those set out in the Group's annual financial statements for the year ended 31 December 2021.

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

Amendments to HKAS 16	Proceeds before Intended use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standard, HKFRS 9 Financial Instruments, HKFRS 16 Leases, and HKAS 41 Agriculture
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

## 4. REVENUE AND SEGMENT INFORMATION

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

The Group has two (2021: two) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Disaggregation of revenue</b>		
Agency commission*	2,937,664	3,821,157
Finance income		
Interest income from loan receivables	33,259	79,396
Financial services income	2,722	30,760
	<b>2,973,645</b>	<b>3,931,313</b>

\* Revenue from contracts with customers within the scope of HKFRS 15

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Timing of revenue recognition</b>		
At a point in time		
Agency commission	2,937,664	3,821,157
Financial services income	2,722	30,760
Over-time		
Interest income from loan receivables	33,259	79,396
	<b>2,973,645</b>	<b>3,931,313</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

## 4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

	Six months ended 30 June 2022 (unaudited)		
	Property real estate agency HK\$'000	Financial services HK\$'000	Total HK\$'000
The People's Republic of China ("PRC")	2,930,569	35,981	2,966,550
Australia	7,095	–	7,095
	2,937,664	35,981	2,973,645

	Six months ended 30 June 2021 (unaudited)		
	Property real estate agency HK\$'000	Financial services HK\$'000	Total HK\$'000
The PRC	3,811,715	110,156	3,921,871
Australia	9,442	–	9,442
	3,821,157	110,156	3,931,313

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

	Six months ended 30 June 2022 (unaudited)		
	Property real estate agency HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment revenue	2,937,664	35,981	2,973,645
Segment (loss)/profit	(384,600)	19,355	(365,245)
Other income			13,826
Central administrative costs			(39,305)
Loss allowance on financial assets			(19,918)
Share of results of associates and a joint venture			2,155
Impairment of goodwill			(206,040)
Finance costs			(27,123)
Loss before tax			(641,650)
Income tax expense			(22,225)
Loss for the period			(663,875)

	Six months ended 30 June 2021 (unaudited)		
	Property real estate agency HK\$'000	Financial services HK\$'000	Total HK\$'000 (restated)
Segment revenue	3,821,157	110,156	3,931,313
Segment profit	53,476	49,230	102,706
Other income			23,481
Central administrative costs			(40,481)
Loss allowance on financial assets			(2,671)
Share of results of associates and a joint venture			3,966
Finance costs			(29,890)
Profit before tax			57,111
Income tax expense			(15,173)
Profit for the period			41,938

Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, share of results of associates and a joint venture and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 5. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interests on:		
Bank and other borrowings	16,051	18,209
Lease liabilities	11,072	11,681
	<b>27,123</b>	29,890

### 6. INCOME TAX EXPENSE

The tax charges for both periods represent the PRC Enterprises Income Tax ("EIT") for those periods.

EIT is provided on the estimated assessable profits of the Group's subsidiaries in the PRC in accordance with the laws and regulations in the PRC at 25%.

Under Australian tax law, the tax rate used for the period is 30% (2021: 30%) on taxable profits on Australian incorporated entities. No tax provision has been made in the consolidated financial statements as there is no assessable profits arising in Australia for both periods.

No Hong Kong profits tax has been provided in both current and prior periods in the condensed consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong for both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 7. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Salaries and other benefit	1,576,736	1,965,876
Retirement benefits scheme contributions	148,263	142,915
Total staff costs	1,724,999	2,108,791
Impairment of goodwill	206,040	–
Depreciation charges		
Property, plant and equipment	21,651	28,492
Right-of-use assets	43,778	37,761
	65,429	66,253
Loss allowance on financial assets		
Allowance on accounts receivable	19,918	6,063
Reversal of allowance on loan receivables	–	(3,392)
	19,918	2,671
Bank interest income	(5,409)	(7,542)
Rental income net of direct expenses of HK\$1,268,000 (2021: HK\$784,000)	(10,256)	(6,732)

### 8. DIVIDENDS

On 26 August 2022, the Board resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: interim dividend of HK0.5 cents per share in respect of the six months ended 30 June 2021 in an aggregate amount of HK\$3,371,000).

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: final dividend of HK\$2.5 cents per share in respect of the year ended 31 December 2020 in an aggregate amount of HK\$16,854,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 9. (LOSS)/EARNINGS PER SHARE

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

#### (Loss)/earnings

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	(487,174)	32,799

#### Number of shares

	Six months ended 30 June	
	2022 '000 (unaudited)	2021 '000 (unaudited)
Number of ordinary shares in issue	674,150	674,150

There are no potential dilutive shares in issue during both periods ended 30 June 2022 and 2021.

### 10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months period ended 30 June 2022, the Group had acquired property, plant and equipment amounting to approximately HK\$13,147,000 (2021: HK\$30,525,000).

During the six months period ended 30 June 2022, the Group entered into certain new lease agreements for the use of office premises for one to six years (2021: one to four years). The Group is required to make fixed monthly payment during the contract period. On lease commencement, the Group recognised approximately HK\$30,462,000 (2021: HK\$89,779,000) of right-of-use assets and approximately HK\$30,462,000 (2021: HK\$89,779,000) of lease liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 11. GOODWILL

Goodwill has been allocated to two (2021: two) individual cash generating units ("CGUs"), comprising primary real estate services and real estate agency services in the PRC. Goodwill approximately of HK\$206,040,000 arose from the acquisition of Poly Real Estate Investment Consultancy Co., Ltd. and its subsidiaries ("Poly Consultancy Group") representing the future economic benefits from the provision of real estate agency services in the PRC.

On 31 March 2022, the Company entered into a conditional shareholder cooperation adjustment agreement (the "Agreement") with Poly Developments and Holdings Group Co., Ltd. ("Poly Developments") to dispose the entire issued share capital of Poly Consultancy Group. For the details, please refer to the announcement of the Company dated 7 April 2022 and the circular dated 26 May 2022. Based on the assessment of the recoverable amount of the CGU (Poly Consultancy Group) for the six months ended 30 June 2022, given comparatively short recoverable period and the recoverable amount of the CGU is less than the goodwill's carrying amount, the Group made an impairment loss of approximately HK\$206,040,000 (2021: Nil).

### 12. ACCOUNTS RECEIVABLE

The Group allows an average credit period ranging from 30 to 180 days to its customers. The aging analysis of accounts receivable net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Accounts receivable		
0–30 days	275,512	472,948
31–60 days	25,839	95,016
61–90 days	33,390	74,765
91–120 days	22,359	35,942
121–180 days	32,975	71,500
Over 180 days	392,342	454,031
	<b>782,417</b>	<b>1,204,202</b>

### 13. FINANCIAL ASSETS AT FVTPL

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Financial assets at FVTPL		
— Listed equity securities issued in the PRC	2,918	3,582
— Listed equity securities issued in Hong Kong	5,842	6,843
	<b>8,760</b>	<b>10,425</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

## 14. PAYABLES AND ACCRUALS

The payables and accruals mainly comprise accrued operating expenses, accrued staff costs and other sundry creditors.

## 15. SHARE CAPITAL

	Number of shares	Nominal Amounts HK\$'000
Ordinary shares of HK\$0.01 each Authorised: At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	8,000,000,000	80,000
Issued and fully paid: At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	674,149,989	6,741

## 16. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Company entered into the Agreement dated 31 March 2022 with Poly Developments (the "Purchaser"). The Purchaser has 43.9% equity interest of Hopefluent (China) Real Estate Consultancy Co., Ltd. ("Hopefluent China"), a company established under the law of the PRC and an indirect non-wholly-owned subsidiary of the Company. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of Poly Consultancy Group for the consideration of 43.9% equity interest of Hopefluent China (the "Proposed Restructuring"). Upon completion of the Proposed Restructuring, Hopefluent China will become an indirectly wholly-owned subsidiary of the Company and Poly Consultancy Group will cease to be subsidiaries of the Company.

The Company was in view of that the Agreement has not yet been completed and they will provide necessary assistance and cooperation on procedures to complete the Proposed Restructuring.

The following assets and liabilities relating to a disposal group, Poly Consultancy Group, were reclassified as held for sale in the condensed consolidated statement of financial position.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 16. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Cont'd)

	HK\$'000 (unaudited)
Assets classified as held for sale	
Bank balances and cash	848,678
Security deposits	1,099,875
Other receivables, deposits, prepayments and other assets	605,838
Interests in associates	38,922
Investment properties	19,880
Right-of-use assets	118,104
Property, plant and equipment	52,714
	2,784,011
Liabilities associated with assets classified as held for sale	
Payables and accruals	974,202
Contract liabilities	738,535
Lease liabilities	121,507
	1,834,244

Poly Consultancy Group incurred net loss of approximately HK\$191,112,000 during the six months ended 30 June 2022.

The disposal of Poly Consultancy Group did not constitute a discontinued operation as it does not represent a major line of business.

### 17. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the period.

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Non-controlling interests</b>		
Revenue	3,258	4,144
<b>Related parties of non-controlling interests (note b)</b>		
Revenue	1,509,901	1,475,459
Rental expense	13,528	7,931
Building management fee	8,027	4,221

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 17. RELATED PARTY TRANSACTIONS (Cont'd)

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited) (restated)
<b>Non-controlling interests (note c)</b>		
— trade in nature	6,604	6,876
— non-trade in nature	678	229
<b>Related parties of non-controlling interests (notes b &amp; c)</b>		
— trade in nature	441,164	296,462
— non-trade in nature	1,131,238	1,408,400

Notes:

- (a) These transactions were carried out in accordance with terms and conditions mutually agreed by the parties involved.
- (b) A non-controlling interest has controlled, joint controlled or significant influence over those corporations.
- (c) The amounts due are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amounts are expected to be recovered within twelve months from the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

### 18. OPERATING LEASES

#### (a) The Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable leases were payable as follows:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within one year	113,252	164,795

The Group is the lessee in respect of a number of shops with lease term of 12 months or less. The Group applies the "short-term lease" recognition exemptions for these leases and the future minimum lease payments regarding these leases are disclosed as above.

#### (b) The Group as lessor

Operating lease income commitments are mainly for the investment properties of the Group. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within one year	12,608	11,482
In the second to fifth year inclusive	9,276	11,579
Over five years	73	217
	21,957	23,278

### 19. COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

## BUSINESS REVIEW

### MANAGEMENT DISCUSSION AND ANALYSIS

#### I. Market Review for the First Half of 2022

In the first half of the year, the property market in mainland China continued to struggle at a low level. Amid the once-in-a-century pandemic, the reshaping of the global economy and complex changes, the entire industry faced its biggest shift and slump in decades.

From January to June, the sales value of the top 100 property enterprises in mainland China registered a sharp year-on-year decrease of more than 50%. In addition, some listed property enterprises had overdue debt repayments, defaulted on their debts, and subsequently found their working capital interrupted. The property sector and many other sectors are bound together for prosperity and detriment. Such market conditions directly dampened the public's desire to purchase houses, leading to a significant drop in sales in the property market.

Although local authorities across mainland China introduced rescue policies, which enabled certain markets to recover slightly, the property market has still not stabilized. Facing such changes, the Group was inevitably and severely affected. It suffered from rising operating costs and consequently recorded a decline in business performance.

#### II. Business Review of the Group

For the six months ended 30 June 2022, the Group recorded a turnover of approximately HK\$2,974 million, representing a decline of approximately 24% against the same period last year (2021: HK\$3,931 million). Loss attributable to shareholders amounted to HK\$487 million (2021: profit attributable to shareholders of HK\$33 million), including the impairment loss on goodwill of approximately HK\$206 million. Basic loss per share was HK72.26 cents (2021: basic earnings per share of HK4.87 cents). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

During the period, the Group recorded a turnover from its property real estate agency services business of approximately HK\$2,938 million, accounting for 99% of its total turnover. Turnover from the financial services business was approximately HK\$36 million, accounting for 1% of the Group's total turnover. The Group's new home sales for the first half of 2022 amounted to approximately HK\$283 billion while total gross floor area sold at approximately 15 million square meters.

##### *Property Real Estate Agency Services Business*

Since the second half of last year, the market environment has deteriorated and the property sector has been hit hard.

The first reason was the resurgence of the pandemic. The lockdowns, the home quarantine measures and the suspension of work and business operations in many cities in mainland China dampened home buyers' desire to purchase. Secondly, due to poor financing and hindered liquidity, developers defaulted on their debts and this presented a difficult business environment for companies in the midstream and downstream markets. Moreover, the government has not really loosened its tight austerity policies, hence no solution has been presented to address the whole market situation. Under such a harsh environment, the Group's property real estate agency services business was inevitably affected and reported a decline in revenue and an increase in total operating expenses as a percentage of revenue, thus resulting in an operating loss.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### II. Business Review of the Group (Cont'd)

#### *Property Real Estate Agency Services Business (Cont'd)*

However, given the Group's years of practice in the market and long-term accumulation of customer resources, it has begun applying internet technology on a grand scale, combining its offline marketing strengths with a digital business model, and vigorously promoting its home-buying platform, "AI house tour", which was invested and cultivated by the Group to further penetrate the key cities where its businesses are located. As a result, the Group managed to maintain its operational capability at the forefront of the industry and continue to secure more property agency projects from developers, thereby laying the foundation for it to overcome this market consolidation period and strengthen its business development capabilities for the future.

During the period, the Group adjusted its cooperation model with Poly Developments in the form of restructuring by taking over its 43.9% equity interest in Hopefluent China. At the same time, the Group will dispose of Poly Consultancy Group to Poly Developments. The Group recorded an impairment of goodwill arising from the acquisition of Poly Real Estate Investment Consulting Co., Ltd. and its subsidiaries in 2018 of approximately HK\$206 million. For the six months ended 30 June 2022, turnover of the Group's property real estate agency services business amounted to approximately HK\$2,938 million, representing a decline of approximately 23% year-on-year (2021: HK\$3,821 million). At present, the Group's property real estate agency services business covers more than 200 large and small cities in mainland China, with more than 1,700 agency projects. Around 310 secondary branches were engaged in running the secondary property real estate agency services business.

#### *Financial Services Business*

The continued recurrence of COVID-19 in the first half of the year led to a general decline in consumer sentiment. In addition, the macroeconomic environment in mainland China remained uncertain, and the domestic property market saw the continued risk of default. Hence, the Group adopted more prudent review procedures to screen property enterprises and high net worth individuals with strong investment and financing demand. As the financing channels of interest-bearing liabilities of property companies have been restricted to a certain extent, risk control will be the Group's first priority. The Group will continue to adopt a prudent operational strategy, effectively manage costs and closely monitor changes in the market so as to ensure the steady development of the business.

During the period, the total transaction value of the Group's financial services business amounted to approximately HK\$0.6 billion (2021: HK\$1.6 billion). Turnover was approximately HK\$36 million (2021: HK\$110 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### III. Prospects for the Second Half of 2022

At present, the global economy remains unclear, and the market continues to face uncertainties. "With lofty ambitions and perseverance to brave the wind and waves, one will grow and succeed when the time comes". The deterioration of the general environment has made the importance of stabilizing the property market to stabilizing the economy be more prominent. Recently, policies implemented by the Chinese government have been increasing, and many national economic development conferences have been convened, all of which have mentioned such topics as stabilizing the property market, promoting people's livelihoods, and promoting the virtuous circle and healthy development of the property sector. From the relaxation of the urban household admission policy in cities and the downward adjustment of housing loan interest rates to the liberalization of purchase restrictions in some cities, it is becoming clear that the government is supporting property development and policy changes.

In this regard, the Group believes that the property sector, as a pillar industry for global economic development, remains very important. With the adjustment of the national policies, the overall restoration of the property market is inevitable. Therefore, it is imperative that the Group keeps abreast of market developments and seizes opportunities. With the Group's strong business foundation and its longstanding, good relations with major property developers, coupled with the help of new digital business procedures, it will continue to enhance the Company's competitiveness and overcome market challenges in order to further unlock the Group's value and bring more promising returns to its shareholders.

### AUDIT COMMITTEE

The Company established an audit committee, comprising the three existing independent non-executive directors, which has reviewed the unaudited interim results for the six months ended 30 June 2022 and this report including the accounting, internal control and financial reporting issues.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK\$487 million (31 December 2021: HK\$1,721 million) and 2.16 (31 December 2021: 2.32) respectively. Total borrowing amounted to approximately HK\$381 million which are bank loan and other borrowings (31 December 2021: approximately HK\$516 million which are secured bank loan and other borrowings). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 6.3% (31 December 2021: 7.4%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2022.

## **PLEDGE OF ASSETS**

As at 30 June 2022, the Group pledged its investment properties with an aggregate amount of approximately HK\$23 million to secure bank borrowings (31 December 2021: HK\$35 million).

## **FOREIGN EXCHANGE EXPOSURE**

Most of the Group's business transactions are denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

## **EMPLOYEES**

As at 30 June 2022, the Group had approximately 18,600 full time employees. Employees are regarded as the greatest and valuable assets of the Group. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

## **INTERIM DIVIDEND**

The board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: HK0.5 cents per share).

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

As at 30 June 2022, the interests of the directors and their associates in the shares of the Company or its associated corporations (within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") in the Listing Rules were as follows:

### Long positions

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

Name of Director	Number of shares			Aggregate interest	Approximate percentage of the issued share capital
	Ordinary shares interests held under personal name	Ordinary shares interests held by controlled corporation/trust	Underlying shares (under equity derivatives of the Company)		
<b>Director</b>					
Mr. Fu Wai Chung ("Mr. Fu")	28,024,334	304,947,139 (Note 1)	-	332,971,473	49.39%
Mr. Fu Ear Ly	-	78,319,938 (Note 2)	-	78,319,938	11.62%
Ms. Ng Wan	7,398,334	-	-	7,398,334	1.10%

Notes:

- (1) These 174,184,799 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man. 112,418,263 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu. China-net Holding Ltd. is also interested in 18,344,077 shares through its ownership of Happy Chord Limited which is wholly-owned by China-net Holding Ltd.. Ms. Ng Wan is a non-executive Director and the spouse of Mr. Fu. Ms. Fu Man is an executive Director and the sister of Mr. Fu.
- (2) These 78,319,938 shares are registered in the name of Simple Heart Limited which is wholly-owned by Mr. Fu Ear Ly. He is the son of Mr. Fu and Ms. Ng Wan, and the nephew of Ms. Fu Man.

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

### Long positions (Cont'd)

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

Name of director	Number of shares interested	Percentage of shareholding
Mr. Fu Wai Chung	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

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

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

### Share Options

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

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the annual general meeting held on 6 June 2014 ("2014 annual general meeting") the Company had adopted a share option scheme (the "Scheme") to replace the old scheme. Under the Scheme, the directors of the Company may, at their discretion, invite employees of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors of the Group to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of 2014 annual general meeting and subject to renewal with shareholders' approval.

The total number of shares of the Company issuable upon exercise of all options may be granted under the Scheme is 52,370,190, representing 7.77% of the issued shares of the Company as the date of this interim report.

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

Other than the Company's share option scheme as disclosed above, at no time during the period was the Company, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2022, the interests or short positions of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO and have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

### Long positions

Name	Number of shares interested	Percentage of shareholding
Mr. Fu Wai Chung (Note 1)	340,369,807	50.49%
Fu's Family Limited (Note 2)	174,184,799	25.84%
China-net Holding Ltd. (Note 1)	130,762,340	19.40%
Mr. Fu Ear Ly (Note 3)	78,319,938	11.62%
Simple Heart Limited (Note 3)	78,319,938	11.62%

Notes:

- Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited and China-net Holding Ltd. Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 28,024,334 shares held by himself and 7,398,334 shares held by his spouse, Ms. Ng Wan, who is also a director of the Company. 112,418,263 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu. China-net Holding Ltd. is also interested in 18,344,077 shares through its ownership of Happy Chord Limited which is wholly-owned by China-net Holding Ltd.. Ms. Ng Wan is a non-executive Director and the spouse of Mr. Fu. Ms. Fu Man is an executive Director and the sister of Mr. Fu.
- These 174,184,799 shares are registered in the name of Fu's Family Limited, the entire issued share capital of which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and 15% by Ms. Fu Man. Under the SFO, Mr. Fu is deemed to be interested in all the shares registered in the name of Fu's Family Limited.
- Under the SFO, Mr. Fu Ear Ly is deemed to be interested in the shares held by Simple Heart Limited which is wholly-owned by himself. He is the son of Mr. Fu and Ms. Ng Wan, and the nephew of Ms. Fu Man.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Since the Listing Date, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2022, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited except the following deviations (Code Provisions C.2.1 and C.6.1):

### **Chairman and Chief Executive Officer**

Mr. Fu Wai Chung ("Mr. Fu") is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company. The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company.

### **Company Secretary**

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact. The Board is confident that having Mr. Lo Hang Fong as the company secretary is beneficial to the Group's compliance of the applicable laws, rules and regulations.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”) OF THE LISTING RULES**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period ended 30 June 2022 and they all confirmed that they have fully complied with the required standards as set out in the Model Code.

By Order of the Board of Directors  
**FU Wai Chung**  
Chairman

Hong Kong, 26 August 2022

*As at the date of this report, the executive directors of the Company are Mr. FU Wai Chung, Ms. FU Man, Mr. LO Yat Fung and Mr. FU Ear Ly; the non-executive director of the Company is Ms. NG Wan; and the independent non-executive directors of the Company are Mr. LAM King Pui, Mr. NG Keung and Mrs. WONG LAW Kwai Wah, Karen.*