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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023, together with comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	699,901	2,973,645
Other income		8,098	13,826
Selling expenses		(601,817)	(3,049,435)
Administrative expenses		(158,690)	(328,760)
Loss allowance on financial assets		(109,289)	(19,918)
Share of results of associates and a joint venture		–	2,155
Impairment of goodwill	9	–	(206,040)
Finance costs	4	(16,372)	(27,123)
Loss before tax		(178,169)	(641,650)
Income tax credit/(expense)	5	27,119	(22,225)
Loss for the period	6	(151,050)	(663,875)
Other comprehensive expense for the period			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(126,734)	(150,215)
Total comprehensive expense for the period		(277,784)	(814,090)

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (unaudited)
(Loss)/profit for the period attributable to:			
— Owners of the Company		(151,660)	(487,174)
— Non-controlling interests		610	(176,701)
		<u>(151,050)</u>	<u>(663,875)</u>
Total comprehensive (expense)/income for the period attributable to:			
— Owners of the Company		(278,109)	(598,751)
— Non-controlling interests		325	(215,339)
		<u>(277,784)</u>	<u>(814,090)</u>
Dividends	7	<u>—</u>	<u>—</u>
Loss per share	8		
— Basic and diluted		<u>HK(22.50) cents</u>	<u>HK(72.26) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (audited) (restated)
NON-CURRENT ASSETS			
Investment properties		131,794	139,282
Property, plant and equipment		267,871	288,899
Right-of-use assets		98,143	94,966
Goodwill	9	11,707	11,707
Interest in a joint venture		–	–
Loan receivables		172,413	531,116
Other receivables and deposits		8,696	7,752
Deferred tax assets		174,718	147,395
		865,342	1,221,117
CURRENT ASSETS			
Accounts receivable	10	644,731	656,951
Loan receivables		253,441	42,585
Other receivables, deposits and prepayments		428,903	710,921
Amount due from a joint venture		14,972	17,980
Financial assets at fair value through profit or loss (“FVTPL”)		5,475	7,500
Bank balances and cash		317,980	393,966
		1,665,502	1,829,903

		30 June 2023	31 December 2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited) (restated)
CURRENT LIABILITIES			
Payables and accruals	<i>11</i>	141,170	310,755
Contract liabilities		18,818	25,642
Lease liabilities		15,373	43,037
Tax liabilities		37,531	61,773
Bank and other borrowings		133,957	50,659
		346,849	491,866
NET CURRENT ASSETS		1,318,653	1,338,037
TOTAL ASSETS LESS CURRENT LIABILITIES		2,183,995	2,559,154
NON-CURRENT LIABILITIES			
Lease liabilities		67,949	35,665
Deferred tax liabilities		107,648	108,205
Bank and other borrowings		50,968	181,250
		226,565	325,120
CAPITAL AND RESERVES			
Share capital		6,741	6,741
Share premium and reserves		1,944,226	2,221,155
Equity attributable to owners of the Company		1,950,967	2,227,896
Non-controlling interests		6,463	6,138
TOTAL EQUITY		1,957,430	2,234,034
		2,183,995	2,559,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. 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 2023 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2022.

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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 8	Definition of Accounting Estimates

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.

3. 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 (2022: 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.

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Disaggregation of revenue		
Revenue from contracts with customers within the scope of HKFRS 15		
Agency commission (<i>note</i>)	<u>672,573</u>	<u>2,937,664</u>
Revenue from other sources outside the scope of HKFRS 15		
Finance income		
Interest income from loan receivables	27,328	33,259
Financial services income	<u>–</u>	<u>2,722</u>
	<u>699,901</u>	<u>2,973,645</u>
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point in time		
Agency commission	672,573	2,937,664
Financial services income	–	2,722
Over-time		
Interest income from loan receivables	<u>27,328</u>	<u>33,259</u>
	<u>699,901</u>	<u>2,973,645</u>

Note: 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”) to dispose the entire issued share capital of Poly Real Estate Investment Consultancy Co., Ltd. and its subsidiaries (“Poly Consultancy Group”). Poly 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 Poly 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 the 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.

Subsequent to the date of signing the Agreement, the obligation of the Company and Poly fulfilled the conditions precedent stated in the Agreement. Both parties mutually agreed that Poly Consultancy Group was ceased to be subsidiaries of the Company and 43.9% equity interest of Hopefluent China held by Poly was derecognised as non-controlling interest on 31 August 2022.

The revenue contributed from Poly Consultancy Group is HK\$nil for six months ended 30 June 2023 (2022: HK\$2,076 million).

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

	Six months ended 30 June 2023 (unaudited)		
	Property real estate agency HK\$'000	Financial services HK\$'000	Total HK\$'000
The People's Republic of China ("PRC")	672,573	27,328	699,901
Australia	–	–	–
	<u>672,573</u>	<u>27,328</u>	<u>699,901</u>
	Six months ended 30 June 2022 (unaudited)		
	Property real estate agency HK\$'000	Financial services HK\$'000	Total HK\$'000
The PRC	2,930,569	35,981	2,966,550
Australia	7,095	–	7,095
	<u>2,937,664</u>	<u>35,981</u>	<u>2,973,645</u>

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

	Six months ended 30 June 2023 (unaudited)		
	Property real	Financial	Total
	estate agency	services	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	672,573	27,328	699,901
Segment loss	(36,362)	(6,676)	(43,038)
Other income			8,098
Central administrative costs			(17,568)
Loss allowance on financial assets			(109,289)
Finance costs			(16,372)
			<hr/>
Loss before tax			(178,169)
Income tax credit			27,119
			<hr/>
Loss for the period			<u>(151,050)</u>

	Six months ended 30 June 2022 (unaudited)		
	Property real	Financial	Total
	estate agency	services	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)
			<hr/>
Loss before tax			(641,650)
Income tax expense			(22,225)
			<hr/>
Loss for the period			<u>(663,875)</u>

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.

4. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on:		
Bank and other borrowings	9,263	16,051
Lease liabilities	7,109	11,072
	<u>16,372</u>	<u>27,123</u>

5. INCOME TAX CREDIT/(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%.

The tax rate under Australian tax law is inapplicable during the six months ended 30 June 2023 as those subsidiaries incorporated in Australia were disposed during the year ended 31 December 2022. Under Australian tax law, the tax rate is 30% on taxable profits on Australian incorporated entities during the six months ended 30 June 2022. 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.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Salaries and other benefit	463,714	1,576,736
Retirement benefits scheme contributions	48,462	148,263
Total staff costs	512,176	1,724,999
Impairment of goodwill	–	206,040
Depreciation charges		
Property, plant and equipment	11,373	21,651
Right-of-use assets	23,151	43,778
	34,524	65,429
Loss allowance on financial assets		
Allowance recognised on accounts receivable	640	19,918
Allowance recognised on loan receivables	108,649	–
	109,289	19,918
Bank interest income	(800)	(5,409)
Rental income net of direct expenses of HK\$543,000 (2022: HK\$1,268,000)	(4,936)	(10,256)

7. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend in respect of the six months ended 30 June 2023 (2022: HK\$nil).

8. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing loss for the period attributable to owners of the Company by the weighted average number ordinary shares in issue during the period.

Loss	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<u>(151,660)</u>	<u>(487,174)</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>674,150</u>	<u>674,150</u>
Basic loss per share (HK cents)	<u>(22.50)</u>	<u>(72.26)</u>

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The basic and diluted loss per share are the same for the six months ended 30 June 2023 and 2022, as the effect of the share options would be anti-dilutive and were not included in the calculation of diluted loss per share.

9. GOODWILL

There is no movement in goodwill in current interim period.

Goodwill has been allocated to one (2022: two) individual cash generating units (“CGUs”), representing primary real estate services in the PRC.

During the six months ended 30 June 2023, the Directors of the Company determine that there is no impairment of the CGU representing the primary real estate agency services segment in the PRC. During the six months ended 30 June 2022, references are made to the announcements of the Company dated 7 April 2022, the circular dated 26 May 2022 and note 6 and note 33 to the 2022 annual financial statements in related to the derecognition of Poly Consultancy Group. Taking into account that Poly Consultancy Group was derecognised and the recoverable amount of that unit cannot be recovered, the amount of goodwill approximately of HK\$206,040,000 associated with Poly Consultancy Group was derecognised together with the derecognition of Poly Consultancy Group.

10. ACCOUNTS RECEIVABLE

The Group allows an average credit period ranging from 30 to 180 days (2022: 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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Accounts receivable		
0–30 days	148,610	265,143
31–60 days	17,068	16,254
61–90 days	24,506	13,932
91–120 days	7,434	14,622
121–180 days	11,582	21,695
Over 180 days	435,531	325,305
	644,731	656,951

11. PAYABLES AND ACCRUALS

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

12. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Non-controlling interests		
Revenue	–	3,258
Related parties of non-controlling interests (note b)		
Revenue	–	1,509,901
Rental expense	–	13,528
Building management fee	–	8,027
	<u>–</u>	<u>1,527,427</u>

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.

13. SHARE OPTIONS SCHEME

(a) Share option scheme of the Company

In order to attract and retain the best quality employees for the development of the Group's businesses and to provide additional incentives or rewards to selected qualifying participants, the Company adopted a share option scheme on 23 May 2023 (the "Scheme"). The eligible participants mainly include employees of the Group, Directors, the directors of any member of the group, the directors and employees (whether full-time or part-time) of the holding companies, fellow subsidiaries or associated companies of the Company. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years since 23 May 2023.

The options may be exercised within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of grant of the options subject to terms under the Scheme. The vesting period for options shall be determined by the board (the "Board") and in any case, shall not be less than twelve (12) months. A shorter vesting period may be granted at the discretion of the Board in certain circumstances. The Board and/or the remuneration committee may determine in its absolute discretion and set any performance target or impose any condition, restriction or limitation in relation to the vesting of the options.

The subscription price of the share options is determinable by the Directors, but shall be the highest of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five (5) business days immediately preceding the date of grant; and (iii) the 90% of the average closing price as stated in the daily quotations sheets of the Stock Exchange for the twenty (20) business days immediately preceding the date of grant.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme (i.e. 67,414,998 shares). Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting.

Unless shareholder approval has been obtained, no option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associate (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue within any 12-month period must be approved in advance by the Company's shareholders.

Subject to the compliance of the requirements under the Scheme, the share options are exercisable only if the eligible participants remain in the service of the Group from the grant date of the share options up to the designated exercise date.

On 16 June 2023, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 67,380,000 shares of the Company. Pursuant to the terms of the share option scheme, the options granted are subject to certain performance conditions. Among the total 67,380,000 share options, 42,080,000 share options are subject to shareholders' approval.

The options granted to the grantees will be vested based on the following rates on the vesting date for the relevant financial year, provided that the vesting conditions above are satisfied in the relevant financial year: (i) 70% and 40% of the total number of the share options to Mr. Zhu Rongbin (“**Mr. Zhu**”) and other grantees respectively, will be vested on 1 July 2024; (ii) 15% and 30% of the total number of the share options to Mr. Zhu and other grantees respectively, will be vested on 1 April 2025; and (iii) 15% and 30% of the total number of the share options to Mr. Zhu and other grantees respectively, will be vested on 1 April 2026. If the vesting conditions above have not been fulfilled during the relevant financial year, the corresponding percentage of the share options granted will lapse upon the expiry of the relevant validity period. All the options under the share option scheme should be exercisable after vesting but before the expiry of 10 years after the grant date at the exercise price of HK\$1.85 per share.

	Held at 1 January 2023	Options granted during the period	Options exercised during the period	Options lapsed during the period	Option transferred during the period	Held at 30 June 2023	Exercise price HK\$
The Scheme							
(A) Employees	-	25,300,000	-	-	-	25,300,000	1.85
(B) Directors							
Zhu Rongbin	-	30,340,000	-	-	-	30,340,000	1.85
Gao Bin	-	11,740,000	-	-	-	11,740,000	1.85
	-	67,380,000	-	-	-	67,380,000	1.85

Options outstanding at 30 June 2023 have the following grant date, expiry date, exercise period and exercise prices.

Grant date	Expiry date	Exercise period	Exercise prices per share HK\$	Number of options
16 June 2023	15 June 2033	Vesting date to 15 June 2033	1.85	67,380,000

As at the date of this announcement, the total number of shares of the Company available for issue under the Scheme (including the above options outstanding not yet exercised) was 67,380,000, representing approximately 9.99% of the issued share capital of the Company as of the date thereof. The number of shares available for future grant under the mandate of the share option scheme is 34,998.

The fair value of options granted during the period ended 30 June 2023 under the Scheme determined using the Binomial Option Pricing model was approximately HK\$41,648,000. The significant inputs into the model were share price of HK\$1.85, at the grant date and adjusted for the effect of the share subdivision, exercise price shown above, expected volatility is 41.29%, annual risk-free interest rate of 3.53%. Expected life of options of approximately 10 years and expected dividend yield of 4.26%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices from 16 June 2013 to 15 June 2023. During the period ended 30 June 2023, approximately HK\$1,180,000 (2022: HK\$nil) were charged to the condensed consolidated statement of profit or loss.

14. COMPARATIVES

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

BUSINESS REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

I. Market Review for First Half 2023

In the first half of the year, there was very little optimism to speak of the overall real estate market of Mainland China. About 600 million square meters of housing was sold, down by about 5% against the same period of last year. Despite the market regaining some confidence in the first quarter, transaction volume dropped again after April, and the National Real Estate Climate Index was down in June. Home buyers became more inclined to wait-and-see and market vitality had yet to fully return.

To effectively cope with the fundamental change in demand and supply relation in the real estate market in China, the Group adjusted its management team, improved its business strategies and explored opportunities for breakthroughs, all to the end of keeping its operation stable.

II. Business Review of the Group

For the six months ended 30 June 2023, the Group's total value of properties transacted were approximately HK\$69.5 billion, up by about 8% relative to the last corresponding period (2022: HK\$64.5 billion), while total gross floor area sold at approximately 3 million square meters.

In the first half of 2023, the Group's revenue from continuing operations was approximately HK\$699.9 million, approximately 22% less than that of HK\$898 million in the last corresponding period (2022: HK\$2,974 million, of which approximately HK\$898 million from continuing operations and approximately HK\$2,076 million from discontinued operations). The Group's Property Real Estate Agency Services Business, due to COVID-19 containment measures in force in the second half of 2022, its revenue in the first half of 2023 decreased to approximately HK\$673 million, down about 22%, compared with those from continuing operations in the same period of last year (2022: approximately HK\$2,938 million, of which approximately HK\$862 million from continuing operations and approximately HK\$2,076 million from discontinued operations), accounting for 96% of the Group's revenue. Financial Services Business recorded revenue of approximately HK\$27 million, down about 25% against the same period of last year (2022: approximately HK\$36 million), accounting for 4% of the Group total.

During the period, loss attributable to shareholders was approximately HK\$152 million, an approximately 4% decrease, compared with the loss from continuing operations in the last corresponding period (2022: HK\$487 million, of which approximately HK\$159 million from continuing operations and approximately HK\$328 million from discontinued operations). Basic loss per share was HK22.50 cents (2022: HK72.26 cents). The Board of Directors did not recommend payment of an interim dividend for the six months ended 30 June 2023.

1. Property Real estate agency

In the first quarter of 2023, as the impact of the pandemic subsided, suppressed demand was released and digested, translating into a short recovery in transaction volume. After April, with many economic indicators of the second quarter falling short of expectations, market recovery was hindered and property sales kept trending down, as a result, the Group's property real estate agency business was affected.

The prevailing real estate market slump, the sharp decrease in property transactions, and the tight capital of developers together slowed down payment collection. The Group thus duly adjusted its business layout and part of its agency business and, with enhancing profitability and cash flow in mind, expanded business.

To date, the Group's property real estate agency services business covers 70 large and small cities across mainland China, with over 800 agency projects. The Group has about 140 secondary branches.

2. Financial Services Business

With the domestic and global macroeconomic environment restrained by a host of factors, property enterprises were still under great pressure to repay their debts, and people were not keen to buy houses. As such, it was difficult for the segment to start new businesses in the period, and its performance declined compared with the same period of last year. The Group has insisted on having risk control as the core principle of its operations, and has closely monitored changes in the financial environment and the industry, that it may adjust the positioning and strategies of its financial services to ensure steady development of the business.

III. Prospects of Second Half 2023

From the series of policies launched recently, it is obvious that maintaining the long-term healthy development of the real estate industry is the fundamental wish of the country and the society. It is the expectation of the people that in the second half year, those favorable policies can enhance the confidence of home buyers and stimulate transactions, so that the real estate market will develop and gradually mature on a steady and healthy path. Also, with the real estate supply and demand relationship changed, developers will place greater importance on sales efficiency and service standard, which for the Group represents new opportunities for business development.

The Group will consolidate its strengths and take the following actions to ensure the Group's stable operation. First of all, capitalizing on its business advantages in Guangzhou, the Group will strive to expand its base across the entire Guangdong province so as to enlarge its market share and increase business revenue. Secondly, it will actively seek corporate cooperation opportunities, focusing on bringing in projects and promoting project progress to increase project scale and numbers, and ultimately achieve higher profit. At the same time, it will focus on the cost-effectiveness of projects and, when expanding overseas business, take making profit as its main target to ensure every project can generate considerable economic benefits for the Group. In addition, to better control its financial position, the Group will implement comprehensive budget management and work strictly by the principle of aligning expenses with income. This ensures that expenses are within manageable limits and that income is sufficient to cover expenses, adopting cost-saving and income increasing measures and reducing losses.

The Group will also push to improve management for the sake of raising quality and efficiency, plus further enhancing management standard and business efficiency. First, it will optimize its organizational structure, adjust the Group's management team, and implement measures to bring in talent to ensure that it has the right minds to tackle future challenges. Secondly, the Group will establish an effective operation review mechanism and a complete authorization and approval process to ensure timely and precise decisions are made and in turn improve work efficiency. In addition, the Group will actively promote informatization and raise overall operational efficiency.

On the strategy front, the Group will adopt strategies that can let it stand out in the competition and give its competitive advantages in the future. First, it will formulate clear digitalization strategy and, on the base of platforms such as "AI Hopefluent", develop product models that can meet future needs and also address existing sore spots, to match market changes and customer demands. Secondly, it will make the best use of its resource advantages along the real estate industry chain, upstream and downstream, and integrate them with product models to bolster competitiveness.

The Group believes China's real estate market has strong resilience and, with policy guidance, the real estate sector will gradually return to normal and move into a long-term, stable and mature development stage. The Group will spare no effort to ensure normal operation, strive to achieve breakthroughs with its business makeup and create positive conditions for its operations. The Group sincerely thanks all shareholders for their support and understanding, and promises to do its best to realize better returns to shareholders.

AUDIT COMMITTEE

The Company established an audit committee, currently comprising the four existing independent non-executive directors, which has reviewed the unaudited interim results for the six months ended 30 June 2023 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, 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\$318 million (31 December 2022: HK\$394 million) and 4.80 (31 December 2022: 3.72) respectively. Total borrowing amounted to approximately HK\$185 million which are secured and unsecured bank loan and other borrowings (31 December 2022: approximately HK\$232 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 7.3% (31 December 2022: 7.6%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2023.

PLEDGE OF ASSETS

As at 30 June 2023, the Group pledged its investment properties and property, plant and equipment with an aggregate amount of approximately HK\$33 million to secure bank borrowings (31 December 2022: approximately 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 2023, the Group had approximately 6,600 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 2023 (2022: nil).

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 2023, the Company has complied with the code provisions set out in Part 2 of the corporate governance code ("CG 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, C.6.1 and C.1.6):

Chairman and Chief Executive Officer

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from 1 January 2023 to 23 May 2023, Mr. Fu Wai Chung ("Mr. Fu") was the chairman of the Company while the Company has no such title as the chief executive officer. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company. 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 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. The Board has been nevertheless reviewing the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

Mr. Zhu Rongbin has been appointed as the chairman of the Board and Mr. Gao Bin has been appointed as the president of the Company with effect from 24 May 2023 which separates the roles of the chairman and the chief executive officer of the Company and enables the Company to comply with code provision C.2.1 of the CG Code.

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.

Attendance of general meeting

Certain independent non-executive directors and non-executive director of the Company were unavailable to attend the annual general meeting of the Company held on 15 June 2023 due to other business commitments.

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 2023 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
ZHU Rongbin
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the board of Directors comprises the executive directors, Mr. ZHU Rongbin, Mr. GAO Bin, Mr. FU Wai Chung and Mr. LO Yat Fung; the non-executive director, Mr. FU Ear Ly and the independent non-executive directors, Mr. LAM King Pui, Mr. NG Keung, Mr. CAO Qimeng and Ms. XU Jing