



HOPEFLUENT

合富輝煌 Group Holdings Limited 集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733



2014

INTERIM REPORT

The board of directors (the “Directors”) of Hopefluent Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014, together with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Turnover	3	1,198,306	1,021,898
Other income		8,007	10,342
Selling expenses		(859,045)	(687,191)
Administrative expenses		(216,173)	(194,325)
Share of loss of an associate		(2,585)	(2,804)
Finance costs	4	(22,516)	(22,461)
Profit before tax		105,994	125,459
Income tax expense	5	(37,391)	(35,185)
Profit for the period	6	68,603	90,274
Attributable to:			
— Owners of the Company		64,614	89,314
— Non-controlling interests		3,989	960
		68,603	90,274
Dividends	7	5,237	12,159
Earnings per share	8		
— Basic		HK12.65 cents	HK18.66 cents
— Diluted		HK12.64 cents	HK18.66 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Profit for the period	68,603	90,274
Other comprehensive (expense) income for the period		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation	(10,185)	9,521
Total comprehensive income for the period	58,418	99,795
Total comprehensive income attributable to:		
— Owners of the Company	55,134	98,558
— Non-controlling interests	3,284	1,237
	58,418	99,795

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		102,215	102,215
Property, plant and equipment	9	210,656	228,655
Goodwill		16,280	16,280
Interest in an associate		132,190	134,774
		461,341	481,924
CURRENT ASSETS			
Accounts receivables	10	970,419	883,094
Loan receivables		239,436	241,422
Other receivables and prepayments		80,260	71,377
Held for trading investments		6,438	9,720
Bank balances and cash		540,144	546,080
		1,836,697	1,751,693
CURRENT LIABILITIES			
Payables and accruals	11	199,342	193,914
Tax liabilities		130,304	99,008
Bank borrowings		–	49,118
Convertible notes	12	–	48,964
		329,646	391,004
NET CURRENT ASSETS		1,507,051	1,360,689
TOTAL ASSETS LESS CURRENT LIABILITIES		1,968,392	1,842,613
CAPITAL AND RESERVES			
Share capital	13	5,237	5,010
Share premium and reserves		1,677,495	1,568,726
Equity attributable to owners of the Company		1,682,732	1,573,736
Non-controlling interests		44,242	40,958
TOTAL EQUITY		1,726,974	1,614,694
NON-CURRENT LIABILITIES			
Convertible notes	12	187,259	173,824
Deferred tax liabilities		54,159	54,095
		241,418	227,919
		1,968,392	1,842,613

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company											Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes	Special reserve HK\$'000	Statutory surplus reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
			equity reserve HK\$'000									
At 1 January 2013 (audited)	4,785	363,310	38,242	5,760	62,507	110,157	-	-	695,475	1,280,236	17,967	1,298,203
Other comprehensive income for the period	-	-	-	-	-	9,244	-	-	-	9,244	277	9,521
Profit for the period	-	-	-	-	-	-	-	-	89,314	89,314	960	90,274
Total comprehensive income for the period	-	-	-	-	-	9,244	-	-	89,314	98,558	1,237	99,795
At 30 June 2013 (unaudited)	4,785	363,310	38,242	5,760	62,507	119,401	-	-	784,789	1,378,794	19,204	1,397,998
Other comprehensive income for the period	-	-	-	-	-	32,052	-	11,649	-	43,701	(262)	43,439
Profit for the period	-	-	-	-	-	-	-	-	126,775	126,775	1,529	128,304
Total comprehensive income for the period	-	-	-	-	-	32,052	-	11,649	126,775	170,476	1,267	171,743
Shares issued on scrip dividend	79	22,154	-	-	-	-	-	-	-	22,233	-	22,233
Recognition of equity-settled share-based payments	-	-	-	-	-	-	19,945	-	-	19,945	-	19,945
Exercise of share options	146	46,888	-	-	-	-	(9,841)	-	-	37,174	-	37,174
Dividends recognised as distribution	-	(54,888)	-	-	-	-	-	-	-	(54,888)	-	(54,888)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	20,487	20,487
Transfer	-	-	-	-	5,690	-	-	-	(5,690)	-	-	-
At 31 December 2013 (audited)	5,010	377,447	38,242	5,760	68,197	151,453	10,104	11,649	905,574	1,573,736	40,958	1,614,694
Other comprehensive income for the period	-	-	-	-	-	(9,480)	-	-	-	(9,480)	(705)	(10,185)
Profit for the period	-	-	-	-	-	-	-	-	64,614	64,614	3,989	68,603
Total comprehensive income for the period	-	-	-	-	-	(9,480)	-	-	64,614	55,134	3,284	58,418
Shares issued due to conversion of convertible notes by a noteholder	213	57,432	(7,282)	-	-	-	-	-	-	50,363	-	50,363
Exercise of share options	14	4,412	-	-	-	-	(927)	-	-	3,499	-	3,499
At 30 June 2014 (unaudited)	5,237	439,291	30,960	5,760	68,197	141,973	9,177	11,649	970,488	1,682,732	44,242	1,726,974

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Net cash from (used in) operating activities	59,786	(121,317)
Net cash (used in) from investing activities	(10,119)	16,438
Net cash used in financing activities	(52,560)	(29,905)
Net decrease in cash and cash equivalents	(2,893)	(134,784)
Cash and cash equivalents at beginning of the period	546,080	584,740
Effect of foreign exchange rate changes	(3,043)	3,940
Cash and cash equivalents at end of the period, represented by bank balances and cash	540,144	453,896

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group’s three operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of secondary real estate services, mortgage referral and loan financing services to individuals or companies. Property management is the provision of building management services to property owners.

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

Six months ended 30 June 2014

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	783,688	292,478	122,140	1,198,306
Segment profit (loss)	136,127	(3,104)	3,651	136,674
Other income				8,007
Central administrative costs				(13,586)
Share of loss of an associate				(2,585)
Finance costs				(22,516)
Profit before tax				105,994
Income tax expense				(37,391)
Profit for the period				68,603

Six months ended 30 June 2013

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	599,223	333,077	89,598	1,021,898
Segment profit	126,741	19,890	3,521	150,152
Other income				10,342
Central administrative costs				(9,770)
Share of loss of an associate				(2,804)
Finance costs				(22,461)
Profit before tax				125,459
Income tax expense				(35,185)
Profit for the period				90,274

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

4. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	1,488	2,545
Effective interest of convertible notes	21,028	19,916
	22,516	22,461

5. INCOME TAX EXPENSE

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

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

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% to 7.25% (six months ended 30 June 2013: 2.5% to 7.25%) on turnover during the current period. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

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

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	30,699	31,608
Impairment on accounts receivables	4,789	2,529
Bank interest income	(1,125)	(1,076)
Net rental income in respect of premises, net of negligible outgoings	(2,173)	(1,583)

7. DIVIDENDS

On 21 August 2014, the Directors have resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 June 2014. The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 12 September 2014.

An interim dividend of HK2.5 cents per share was paid for the six months ended 30 June 2013.

8. EARNINGS PER SHARE

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

Earnings

	2014 HK\$'000	2013 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	64,614	89,314

Number of shares

	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	510,631	478,519
Effect of dilutive potential ordinary shares — Share options	511	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	511,142	478,519

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share for the six months ended 30 June 2014.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent approximately HK\$12.4 million, mainly on leasehold improvement, equipment of offices and branches and vehicles.

10. ACCOUNTS RECEIVABLES

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

	2014 HK\$'000	2013 HK\$'000
Accounts receivables		
0–60 days	483,855	512,669
61–90 days	196,775	194,541
91–120 days	165,897	84,268
121–150 days	50,724	49,494
More than 150 days	73,168	42,122
	970,419	883,094

11. PAYABLES AND ACCRUALS

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

12. CONVERTIBLE NOTES

On 29 August 2012, a subsidiary of the Company, having Hong Kong dollar as its functional currency, issued Hong Kong dollar denominated convertible notes with an aggregate principal amount of HK\$218,400,000 due in 2015 bearing interest at the rate of 2.695% per 6-month period payable in arrear. Each note entitles the holder to convert to one ordinary share of the Company at a conversion price of HK\$2.40 per share (subject to anti-dilutive adjustments). During the period, an aggregate principal amount of convertible notes of HK\$48,000,000 were converted into ordinary shares at HK\$2.2454 per share, resulting in the issue of 21,377,037 ordinary shares.

The convertible notes contain two components, including debt and conversion option (details of the terms are set out in the announcement dated 1 August 2012). The conversion option component, which will be settled by the exchange of a fixed amount of cash in Hong Kong dollar for a fixed number of the Company's shares, is presented in equity heading "convertible notes equity reserve". The effective interest rate of the debt component is 22.38% per annum.

	HK\$'000
Proceeds of issue	218,400
Debt component at date of issue	(180,158)
Equity component	38,242

Movement of convertible notes is as follows:

	Debt Component HK\$'000
At 1 January 2013	192,951
Interest charge calculated at an effective rate of 22.38%	41,673
Interest paid	(11,836)
At 31 December 2013	222,788
Interest charge calculated at an effective rate of 22.38%	21,028
Interest paid	(6,194)
Conversion during the period	(50,363)
At 30 June 2014	187,259

	2014 HK\$'000	2013 HK\$'000
Analysed for report purpose as		
Current liability	–	48,964
Non-current liability	187,259	173,824
	187,259	222,788

In November 2013, the market price of a share of the Company was higher than the reference price. Accordingly, the noteholders had to exercise their conversion rights to convert an aggregate principal amount of convertible notes of HK\$48,000,000 to exchange for the shares of the Company, during the period of six months after the market price of a share of the Company first exceeds the reference price. At 31 December 2013, the debt component of that portion of convertible notes amounting to HK\$48,964,000 was classified as a current liability accordingly.

Movement of equity component is as follows:

	Equity Component HK\$'000
At 1 January 2013 and 31 December 2013	38,242
Conversion during the period	(7,282)
At 30 June 2014	30,960

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 30 June 2014	8,000,000,000	80,000
Issued and fully paid:		
At 1 January 2013	478,518,865	4,785
Exercise of share options	14,578,000	146
Shares issued for scrip dividend	7,856,007	79
At 31 December 2013	500,952,872	5,010
Exercise of share options	1,372,000	14
Shares issued due to conversion of convertible notes by a noteholder	21,377,037	213
At 30 June 2014	523,701,909	5,237

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2014 HK\$'000	31 December 2013 HK\$'000		
Equity securities listed in Hong Kong classified as held for trading investments	6,438	9,720	Level 1	Quoted bid prices in an active market

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

15. SUBSEQUENT EVENT

On 10 July 2014, the Company entered into a binding framework agreement ("Framework Agreement") with SouFun Holdings Limited ("SouFun"). The Company and SouFun agreed to enter into formal agreements in relation to the Framework Agreement by 23 September 2014. Details of which have been disclosed in the announcements dated 10 July 2014 and 12 August 2014 respectively.

BUSINESS REVIEW

During the first half of 2014, affected by the macroeconomic performance, the implementation of more regulatory policies on the property market and the tightening of credit and mortgage lending, property prices in major cities across China have been maintaining at high levels with rising downside pressure. To address the weak economic environment, the central government has launched a series of “mini-stimulus” measures recently, while local governments of certain cities and provinces have rescinded the home-purchase restrictions, which has given an impetus for the clearing out of excess inventory in the property market.

Confronted with further consolidation in the property market, the Group has continued to undertake initiatives based on careful analysis of the prevailing conditions. It has actively sought to extend its scope for development in the market while conducting business restructuring and integration internally, so as to capture opportunities to sustain the development of its core business.

For the six months ended 30 June 2014, the Group has recorded a turnover of HK\$1,198.3 million (2013: HK\$1,021.9 million). Profit attributable to shareholders was HK\$64.6 million (2013: HK\$89.3 million). Basic earnings per share were HK12.65 cents (2013: HK18.66 cents).

The primary and secondary property real estate agency service businesses of the Group registered a turnover of HK\$783.7 million and HK\$292.5 million respectively, accounting for 66% and 24% of the Group’s total turnover. The remaining 10% or HK\$122.1 million was derived from the property management business and other businesses. By geographic location, Guangzhou contributed about 52% of the Group’s total turnover while around 48% came from outside Guangzhou.

Primary Property Real Estate Agency Services

At the beginning of the year, the number of transactions dropped due to the seasonal factor of the Chinese New Year. March showed a rebound, while a strong increase in transactions was seen in April and May accountable to various sales promotional activities launched by developers. The short term drop in price and rise in volume is considered as a normal adjustment for the property market, and short term sales promotions may facilitate rapid digestion in the market and reduce risks. Constrained by home-purchase restriction, price restriction and limit down order policies, developers and buyers decided to only sign a subscription agreement when the projects are sold and postponed the signing of a formal purchase and sale agreement, which in turn affected the delivery of the Group’s agency commission. However, benefitting from the “price for volume” strategy of property developers aiming to boost sales and the gradual release of pent-up demand under the government’s “mini-stimulus” measures, the Group’s primary property real estate agency service business recorded a notable growth in both project numbers and market share.

For the six months ended 30 June 2014, the Group handled approximately 73,000 primary property transactions involving a total gross floor area of about 7.62 million square meters with a total transaction value of approximately HK\$80.3 billion, a rise of about 19% compared to HK\$67.3 billion during the corresponding period last year. The Group was exclusive agent for around 800 projects with 700 of them contributing turnover to the Group during the period, as compared to 550 projects during the corresponding period last year.

In recent years, apart from solidifying its business in cities such as Guangzhou, Shenzhen, Foshan, Dongguan and Hefei, Hopefluent has also actively expanded into second- and third-tier cities including Zhengzhou, Jinan, Guiyang and Nanning, and leveraged its extensive business network to penetrate third- and fourth-tier cities such as Zhongshan, Zhuhai, Huainan, Xiangtan, Xinyang, Nanchang and Danyang and so on. The Group's business network currently covers more than 150 cities in China, which has further increased its market share. Geographically, Guangzhou contributed about 40% of the Group's total turnover from the primary property real estate agency business during the period, while areas outside Guangzhou contributed about 60%.

The Group has worked closely with major property developers to launch various exclusive new property projects during the period under review and achieved satisfactory sales performance. Highlights of these are Top Plaza, a property in Guangzhou co-developed by Sun Hung Kai Properties, R&F Properties and KWG, The Bayview by Kingold Group, Vanke Opalus, Poly Zephyr City, Citic Lake, KWG The Summit, Evergrande Royal Garden, Time Land by Lasony, Foshan Glorious City by China Overseas, King Metropolis in Dongguan, Shenzhen CR Land's Park Lane Harbour, Hefei Evergrande Central Square, Hanlin Metro in Nanning, Evergrande City in Guiyang and Shandong Lushang The Lake and Gardens. Such an extensive portfolio clearly demonstrates the recognition and trust from a wide range of developers in the Group's sales capability and professional services.

As the market develops, the integration of traditional property services and internet and mobile technologies has enhanced its competitiveness in the property transaction process. The Group's self-developed WeChat property wise-search, sale, payment and other features on its "iHouseKing" website (www.ihk.cn) offer comprehensive closed-loop online and offline property sales services, which gained high market recognition. During the period, e-commerce business on the "iHouseKing" website recorded 4,000 transactions with turnover exceeding HK\$49 million.

Secondary Property Real Estate Agency, Mortgage Referral and Related Services

As large developers have actively launched new projects to boost market share with price cuts on primary properties, together with the impact of purchase and mortgage restrictions by the central government have led to a decline in sales transactions in the secondary property market. Thus, the Group's secondary property real estate agency business for the first six months of the year decreased as compared with the performance in the same period last year. In the first half of 2014, the Group handled approximately 18,400 secondary property transactions (2013: 20,600), generating a turnover of HK\$271.5 million (2013: HK\$333.1 million).

In addition to providing property agency services, the Group also offers other property-related value-added services to customers including mortgage referral and loan financing services, property valuation and property auctions. The mortgage referral and loan financing services business generated a turnover of approximately HK\$21 million.

Property management service

The Group currently offers property management services, which contributes an additional income stream to the Group, and strengthens its brand image. During the period under review, the Group has provided property management services for approximately 150 residential, offices and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan, involving more than 200,000 units covering a total gross floor area of more than 20 million square meters. These services have generated both a stable income and an extensive customer base for the Group, which would also support its future expansion.

Prospects

Looking ahead to the second half of the year, the Group believes the property market in China will present both opportunities and challenges. Constrained by the weak macroeconomic environment, there would likely be an oversupply in certain third- and fourth-tier cities. Therefore, the extensive adjustment in the property market is expected to continue. On the other hand, new drivers at different levels of the Chinese economy, together with the population migration and urbanization development implemented by the central government will drive rigid demand in the property sector. The development model of the Chinese economy will continue to be driven by a combination of the investment-oriented pull factor and a domestic demand-oriented push factor, which will generate opportunities for the property market. In addition, the government is gradually lifting the restrictions on property purchases and the banks are also loosening mortgage restrictions, which would definitely benefit the Group.

Hopefluent will continue its active yet prudent strategy, providing quality primary and secondary property real estate agency services for customers, as well as developing a diversified business model to meet the broader and higher quality demand of customers.

Currently, the Group has established close partnership with over 200 renowned developers including Vanke, Evergrande, Poly, Gemdale, China Resources Property, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Star River, Guangzhou Pearl River Industrial and Sun Hung Kai Properties. In the future, the Group will strive to secure more agency projects in order to expand its market share.

In early July this year, the Group has entered into a binding framework agreement with SouFun Holdings Limited ("SouFun") (NYSE:SFUN) for the proposed issuance of 91,000,000 new Shares ("New Shares"), representing approximately 14.80% of the issued share capital of the Group after the issuance of the New Shares, at the issue price of HK\$3 per New Share exclusively for subscription by SouFun. This strategic investment proves SouFun's support for the Group's business strategies and its leading position in China's real estate agent industry, as well as its confidence in the Group's future development. The Group will be closely collaborating with SouFun in the real estate sector and the Internet financial services sector. At the same time, it also plans to integrate the Online-to-Offline business model in areas such as real estate financial services, advertising services, e-commerce services and community property management services, so as to provide a comprehensive chain of real estate value-added services for real estate developers, home buyers and financial institutions. The implementation of the proposed subscription must fulfill relevant conditions, which includes gaining the approval of the regulatory authorities and related departments of the jurisdictions where the shares of the parties are listed. The strategic alliance with SouFun is set to enhance the Group's capability to explore business opportunities and facilitate its development in China's real estate market.

Riding on its excellent brand image and professional services, optimized business model, strategic business network and extensive experience in the China property market, the Group is confident that it will continue to deliver sustainable 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 2014 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, 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\$540.1 million (31 December 2013: HK\$546.1 million) and 5.57 (31 December 2013: 4.48) respectively. Total borrowing amounted to HK\$170.4 million which are convertible notes (31 December 2013: approximately HK\$267.5 million which are secured bank borrowings and convertible notes). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 7.42% (31 December 2013: 11.98%). The Group's secured bank borrowings and convertible notes are denominated in Renminbi and Hong Kong dollars respectively. The Group had no material contingent liabilities as at 30 June 2014.

CONVERTIBLE NOTES

In August 2012, a subsidiary of the Company issued 5.39% exchangeable bonds in an aggregate principal amount of HK\$218,400,000 due 2015. During the period, an aggregate principal amount of exchangeable bonds of HK\$48,000,000 were converted into ordinary shares at HK\$2.2454 per share, resulting in the issue of 21,377,037 ordinary shares.

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 2014, the Group had approximately 16,700 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

Apart from those set out above, the current information in other management discussion and analysis has not changed materially from those information disclosed in the last published 2013 annual report.

INTERIM DIVIDEND

On 21 August 2014, the board of Directors (the "Board") have resolved to declare an interim dividend of HK1 cent per share of the Company (the "Share(s)") for the six months ended 30 June 2014 (the "Interim Dividend") payable to shareholders of the Company whose names are on the register of members on 12 September 2014. It is expected that the dividend warrants will be posted on 29 September 2014.

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 2014, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations (within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") in the Listing Rules were as follows:

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

Name of Director	Number of shares			Aggregate interest	Approximate percentage of the issued share capital
	Ordinary shares interests held under personal name	Ordinary shares interests held by controlled corporation	Underlying shares (under equity derivatives of the Company) (Note 2)		
Director					
Mr. Fu Wai Chung ("Mr. Fu")	8,410,334	174,184,799 (Note 1)	-	182,595,133	34.87%
Ms. Ng Wan	832,334	-	-	832,334	0.16%
Ms. Fu Man	-	-	4,400,000	4,400,000	0.84%
Mr. Lo Yat Fung	-	-	3,920,000	3,920,000	0.75%
Mr. Lam King Pui	-	-	296,000	296,000	0.06%

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.
- (2) Details of share options held by directors are shown in the section of "Share Options".

(ii) **Ordinary shares of US\$1.00 each in Fu's Family Limited, the associated corporation of the Company**

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

Share Options

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

Movements of the share options during the six months ended 30 June 2014 were as follows:

	Number of share options						Date of grant	Exercise period	Exercise price per share HK\$	Closing price of share immediate before date of grant HK\$
	As at 1 January 2014	Granted during the period	Lapsed/Cancelled during the period	Exercised during the period	As at 30 June 2014					
Directors										
Mr. Fu Wai Chung	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Ms. Ng Wan	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Ms. Fu Man	4,400,000	-	-	-	4,400,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mr. Lo Yat Fung	3,920,000	-	-	-	3,920,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mr. Lam King Pui	296,000	-	-	-	296,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mr. Ng Keung	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Mrs. Wong Law Kwai Wah, Karen	-	-	-	-	-	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Others										
Employees	6,406,000	-	-	(1,372,000)	5,034,000	2 July 2013	15 July 2013 to 31 December 2016	2.55	2.48	
Total	15,022,000	-	-	(1,372,000)	13,650,000					

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.02.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares and/or debt securities, including debentures of the Company or any other body corporate.

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

As at 30 June 2014, the interests or short positions of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Number of shares interested	Percentage of shareholding
Mr. Fu (Note 1)	183,427,467	35.03%
Fu's Family Limited (Note 2)	174,184,799	33.26%
Li Gabriel (Note 3)	97,265,514	18.57%
Lam Lai Ming (Note 3)	97,265,514	18.57%
Areo Holdings Limited (Note 3)	97,265,514	18.57%
OAV Holdings, L.P. (Note 3)	96,196,662	18.37%
Orchid Asia V GP, Limited (Note 3)	96,196,662	18.37%
Orchid Asia V Group Management, Limited (Note 3)	96,196,662	18.37%
Orchid Asia V Group, Limited (Note 3)	96,196,662	18.37%
Orchid Asia V, L.P. (Note 3)	96,196,662	18.37%
Mutual Funds Populus & Elite	43,046,320	8.22%
BNP Paribas Jersey Nominee Company Limited (Note 4)	41,310,000	7.89%
BNP Paribas Jersey Trust Corporation Limited (Note 4)	41,310,000	7.89%
Cheah Capital Management Limited (Note 4)	41,310,000	7.89%
Cheah Cheng Hye (Note 4)	41,310,000	7.89%
Cheah Company Limited (Note 4)	41,310,000	7.89%
To Hau Yin (Note 4)	41,310,000	7.89%
Value Partners Group Limited (Note 4)	41,310,000	7.89%

Notes:

- Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited. Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 8,410,334 shares held by himself and 832,334 shares held by his spouse, Ms. Ng Wan, who is also a director of the Company.
- 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.
- The underlying shares in form of exchangeable bonds and the ordinary shares are registered in the name of Orchid Asia V, L.P. which is held by OAV Holdings, L.P. and, indirectly held by Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited and Areo Holdings Limited. Mr. Li and Ms. Lam who are controllers of Areo Holdings Limited are deemed to be interested in 97,265,514 ordinary shares/underlying shares.
- These shares are held by BNP Paribas Jersey Trust Corporation Limited in its capacity as a trustee and BNP Paribas Jersey Nominee Company Limited as nominee through Value Partners Group Limited, Cheah Company Limited and Cheah Capital Management Limited. Mr. Cheah Cheng Hye is the founder of the family trust and Ms. To Hau Yin as the spouse of Mr. Cheah is deemed to be interested in these shares.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 2014, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 September 2014 (Thursday) to 12 September 2014 (Friday), both days inclusive, during which period no transfer of Shares shall be effected. In order to be qualified for the Interim Dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 10 September 2014 (Wednesday).

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 2014, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following deviations (Code Provisions A.2.1 and F.1.1):

Chairman and Chief Executive Officer

Mr. Fu is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

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

Company Secretary

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period ended 30 June 2014 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, 21 August 2014

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