THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hopefluent Group Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

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)

(A) PROPOSED RESTRUCTURING INVOLVING VERY SUBSTANTIAL DISPOSAL, MAJOR ACQUISITION AND CONNECTED TRANSACTION AND (B) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

八方金融有限公司
OCTAL Capital Limited

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

A notice convening the EGM to be held at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong at 3:00 p.m. on 28 June 2022 (Tuesday) is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish; and in such event, the form of proxy shall be deemed to be revoked. This circular is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and on the website of the Company at http://www.hopefluent.com/.

Hong Kong, 26 May 2022

CONTENTS

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

"2018 Cooperation Agreement"	the cooperation reorganisation agreement (合作重組協議) dated 7 May 2018 entered into between the Company, Hopefluent HK and Poly Developments in relation to, among others, the 2018 Cooperation Restructuring
"2018 Cooperation Restructuring"	the cooperation restructuring of Hopefluent China and Poly Consultancy, pursuant to the 2018 Cooperation Agreement, whereby Poly Developments made a capital contribution to Hopefluent China by way of injecting the entire equity interests of the then Poly Consultancy held by Poly Developments into Hopefluent China and in return obtaining 43.9% of the entire equity interests in Hopefluent China
"2018 Master Agreement"	the master agreement dated 27 July 2018 entered into between the Company, Poly Developments, Hopefluent China and Poly Consultancy in relation to the real estate agency business cooperation between the parties, involving, inter alia, the acquisition by Hopefluent China of the Poly Consultancy Group, in consideration for the issue by Hopefluent China of 43.9% of its entire equity interests to Poly Developments
"Agreement"	a conditional shareholder cooperation adjustment agreement (股東合作調整協議) dated 31 March 2022 entered into between the Company, Hopefluent HK, Hopefluent China, Hopefluent Investment, Poly Consultancy and Poly Developments in relation to the Proposed Restructuring and the Property Agency Transactions
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Hopefluent Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 733)
"Directors"	directors of the Company
"Effective Date"	the date on which all the conditions precedent under the Agreement have been fulfilled (or such later date as may be agreed by all Parties)

"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder, including the Proposed Restructuring, the release of the Non-Compete Undertaking, and the Property Agency Transactions
"Group"	the Company and its subsidiaries
"Hopefluent China"	合富輝煌(中國)房地產顧問有限公司 (Hopefluent (China) Real Estate Consultancy Co., Ltd.#), a company established under the laws of the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company prior completion of the Proposed Restructuring
"Hopefluent China Group"	Hopefluent China and its subsidiaries, excluding the Poly Consultancy Group
"Hopefluent HK"	Hopefluent (Hong Kong) Limited (合富輝煌(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Hopefluent Investment"	廣州合富輝煌投資諮詢有限公司 (Guangzhou Chun Wui Investment Consulting Co., Ltd.#), a company established under the laws of the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
"Hopefluent Parties"	the Company, Hopefluent China, Hopefluent HK, and Hopefluent Investment, being parties to the Agreement
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen
"Independent Financial Adviser" or "Octal Capital"	Octal Capital Limited, a licensed corporation to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder

"Independent Shareholders"	Shareholders other than (i) any Shareholder who has a material interest in the Proposed Restructuring other than its interest as a Shareholder; and (ii) any close associate of such Shareholder referred to in (i)
"Latest Practicable Date"	24 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Original Restructuring Completion Date"	the completion date on which Poly Developments has injected its entire interests in the Poly Consultancy into Hopefluent China as capital contribution under the 2018 Cooperation Agreement (i.e. 3 September 2018)
"Poly Consultancy"	保利地產投資顧問有限公司 (Poly Real Estate Investment Consultancy Co., Ltd.#), a company established under the laws of the PRC and a direct wholly-owned subsidiary of Hopefluent China prior to the Proposed Restructuring
"Poly Consultancy Group"	Poly Consultancy and its 17 companies
"Poly Developments"	Poly Developments and Holdings Group Co., Ltd. (保利發展控股集團股份有限公司), formerly known as 保利房地產(集團)股份有限公司 (Poly Real Estate Group Co., Ltd.#), a company established under the laws of the PRC and whose shares are listed on the Shanghai Stock Exchange (stock code: 600048)
"Poly Parties"	Poly Developments and Poly Consultancy, being parties to the Agreement
"PRC"	the People's Republic of China
"Property Agency Transactions"	first-hand agency business contracts for real estate development projects of Poly Developments with a saleable property value of not less than RMB80 billion to be provided by Poly Developments to Hopefluent Parties or its designated real estate agents every 12 months for five years
"Proposed Restructuring"	the carrying out of the Transformation and Poly Developments ceasing to be a shareholder of Hopefluent China by way of share transfer or capital reduction of its 43.9% equity interests in Hopefluent China, resulting in the Hopefluent China to be wholly owned by the Company

"Remaining Group"	the Group excluding Poly Consultancy Group upon completion of the Proposed Restructuring
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the existing issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Transformation"	the process and procedures for the purpose of properly and gradually ceasing all business operations of the Poly Consultancy Group by fulfilling all outstanding contracts or transferring to a third party to undertake, disposal of assets, personnel arrangement, clearing up creditor's rights and debts and all other necessary actions
"Transformation Completion Date"	the date of completion of the Transformation of the Poly Consultancy Group
"Transformation Period"	a period between the Effective Date and 31 May 2023
"%"	per cent

The English translation of Chinese name(s) in this circular, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).

HOPEFLUENT GROUP HOLDINGS LIMITED
合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 733)

Executive Directors:
Mr. FU Wai Chung *(Chairman)*
Ms. FU Man
Mr. LO Yat Fung
Mr. FU Ear Ly

Non-Executive Directors:
Ms. NG Wan

Independent Non-Executive Directors:
Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

26 May 2022

To the Shareholders

Dear Sir or Madam,

PROPOSED RESTRUCTURING INVOLVING VERY SUBSTANTIAL DISPOSAL, MAJOR ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 7 April 2022 in relation to the Proposed Restructuring and the Property Agency Transactions (the "**Announcement**").

The purposes of this circular are to provide you with, among other things:

(i) a letter from the Board containing further details of the Agreement and the transactions contemplated thereunder;

(ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder;

(iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder;

(iv) notice convening the EGM; and

(v) other information as required under the Listing Rules.

THE AGREEMENT

Reference is made to the Company's announcements dated 9 May 2018 and 19 July 2018, circular dated 22 June 2018 regarding among others, the 2018 Cooperation Agreement and the 2018 Cooperation Restructuring, pursuant to which the Company and Poly Developments agreed to the integration and cooperation of their respective real estate agency businesses through Hopefluent China as the holding platform. Due to the reasons for the Proposed Restructuring as set out in the section headed "REASONS FOR AND BENEFITS OF THE PROPOSED RESTRUCTURING" in this circular and after amicable discussion, the Hopefluent Parties and the Poly Parties agreed to adjust the cooperation contemplated under the 2018 Cooperation Agreement.

On 31 March 2022, the Hopefluent Parties and the Poly Parties entered into the Agreement in relation to the Proposed Restructuring and the Property Agency Transactions. The principal terms of the Agreement are set out below:

Date

31 March 2022 (after trading hours)

Parties

1. Poly Developments
2. Poly Consultancy
3. Hopefluent HK
4. Hopefluent Investment
5. Hopefluent China
6. the Company

(each a "**Party**", and collectively the "**Parties**")

The Objective

To adjust the mode of cooperation under the 2018 Cooperation Agreement such that the Poly Parties and the Hopefluent Parties can operate their respective real estate agency business independently. For Poly Parties, they will operate the existing Poly Consultancy Group Business independent from the Hopefluent China platform. Each of the Poly Parties and the Hopefluent Parties will be released from the Non-Compete Undertaking, and will be free to operate their respective real estate agency business, and may cooperate on individual projects in future.

PROPOSED RESTRUCTURING

Effective Date of the Agreement

Conditions precedent

The obligations of the Hopefluent Parties and Poly Parties under the Agreement is conditional upon the fulfilment of the following conditions precedent and the Parties shall only carry out the Proposed Restructuring after the Effective Date:

(i) Hopefluent Parties having complied with the requirements under the Listing Rules, all applicable laws, rules and regulations, and all the requirements of regulatory authorities (including but not limited to the Stock Exchange and the SFC) in relation to the Agreement and the transactions contemplated thereunder before the Company convening the EGM;

(ii) the Independent Shareholders having passed all necessary resolutions at the EGM to approve the Agreement and the transactions contemplated thereunder; and

(iii) Poly Developments having obtained all necessary consents, approvals, filings or registrations to complete the Agreement and the transactions contemplated thereunder, and all related consents, approvals, filings or registrations remaining complete and valid.

None of the aforesaid conditions precedent under the Agreement can be waived. If any of the aforesaid conditions precedent cannot be fulfilled on or before 30 June 2022 (or such later date as may be agreed in writing by the Parties), all Parties shall revise the aforesaid conditions precedent or otherwise negotiate specific proposals for the transactions stated in the Agreement in compliance with the relevant laws and regulations, in order to facilitate the transactions contemplated under the Agreement.

Effective Date

The Effective Date shall be the date on which all the aforesaid conditions precedent have been fulfilled (or such later date as may be agreed by all Parties).

As at the Latest Practicable Date, the aforesaid condition precedent (i) under the Agreement has been fulfilled. Subject to the fulfillment of the aforesaid condition precedent (ii) at the EGM, it is expected that the Effective Date will be within three months after the date of the EGM.

Ownership of the rights and interests of the Poly Consultancy Group and the Hopefluent China Group

The Hopefluent China Group and the Poly Consultancy Group will be operated and managed by the Hopefluent Parties and the Poly Parties, respectively.

All Parties agree and confirm that since the Effective Date, even if Poly Developments has not yet gone through the procedures for the cessation to hold its 43.9% equity interest in Hopefluent China (hereinafter referred to as the "**Relevant Equity**"), Poly Developments will no longer beneficially hold the Relevant Equity (or any equity interest in Hopefluent China) and any rights and interests thereof. Poly Developments will entrust Hopefluent Investment to manage and exercise all rights and interests (including but not limited to voting rights and income rights) of its Relevant Equity. The entrustment period is from the Effective Date to the date of completion of all the procedures for cessation to hold the Relevant Equity by Poly Developments. During the entrustment period, all affairs of Hopefluent China (including but not limited to financial management, business decision-making and other matters) shall be handled by Hopefluent Investment. From the Effective Date, Hopefluent Investment can exercise other shareholder's rights except for the equity disposal rights, and enjoy the profits and losses of Hopefluent China in proportion to the entrustment. Poly Developments will no longer effectively own any rights and interests of the Hopefluent China Group, and will not assume any rights and interests and responsibilities and obligations of the Hopefluent China Group, including but not limited to all creditor's rights and debts and litigation of the Hopefluent China Group.

Correspondingly, all Parties agree and confirm that since the Effective Date, Hopefluent China will no longer beneficially hold any rights and interests of Poly Consultancy. Hopefluent China will entrust Poly Developments to manage and exercise all rights and interests (including but not limited to voting rights and income rights) of Hopefluent China's equity interest in Poly Consultancy. The entrustment period is from the Effective Date to the date of completion of all the procedures for Hopefluent China's cessation to hold equity interest in Poly Consultancy. During the entrustment period, all affairs of Poly Consultancy (including but not limited to financial management, business decision-making and other matters) shall be handled by Poly Developments. From the Effective Date, Poly Developments can exercise other shareholder's rights except for the equity disposal rights, and enjoy the profits and losses of Poly Consultancy in proportion to the entrustment. Hopefluent China will no longer effectively own any rights and interests of the Poly Consultancy Group, and will not assume any rights and interests and responsibilities and obligations of the Poly Consultancy Group, including but not limited to all creditor's rights and debts and litigation of the Poly Consultancy Group.

Pending the completion of registration at the relevant Administration Bureau for Industry and Commerce in respect of Poly Developments' cessation as holder of the 43.9% equity interest in Hopefluent China, the profits and losses of Hopefluent China will continue to be attributable to Hopefluent Investment and Poly Developments in proportion to their respective equity interest in Hopefluent China for accounting purpose.

Transformation of Poly Consultancy Group

For the purpose of the Proposed Restructuring, the Parties will carry out all necessary steps and procedures to be determined by the Poly Parties and the Hopefluent Parties for the purpose of properly and gradually ceasing all business operation of the Poly Consultancy Group Businesses, including by fulfilling all outstanding contracts or transferring to a third party to undertake, disposal of assets, personnel arrangement, clearing up creditor's rights and debts and all other necessary actions to be determined by the Parties. Having considered other options of implementing the Transformation, the Parties have reached consensus that the abovementioned steps and procedures are the most practicable and cost efficient option to implement the Transformation.

It is expected that all the procedures for cessation of business operation of the Poly Consultancy Group Business would be completed on or before 31 May 2023.

All taxes, fees and responsibilities arising therefrom shall be borne by Poly Developments and the Poly Consultancy Group (before the Transformation Completion Date). During the Transformation Period, no additional burden and costs in relation to the Transformation shall be created to the Hopefluent China Group.

Dividend distribution

The Parties agree that based on the financial information of Hopefluent China, the undistributed dividend of Hopefluent China will be distributed to Hopefluent Investment and Poly Developments in accordance with the actual accumulated profits contributed by the Hopefluent China Group and the Poly Consultancy Group, respectively, to Hopefluent China. The Parties further agree that all the net profits generated by the Hopefluent China Group and the Poly Consultancy Group during the Transformation Period will be allocated to Hopefluent Investment and Poly Developments respectively in accordance with the actual accumulated profits contributed by the Hopefluent China Group and the Poly Consultancy Group respectively. The table below sets forth unaudited consolidated financial information of the Hopefluent China Group and the Poly Consultancy Group for the years ended 31 December 2019, 2020 and 2021:

	For the year ended 31 December 2021 *(Unaudited)* *HK$'000*	**For the year ended 31 December 2020** *(Unaudited)* *HK$'000*	**For the year ended 31 December 2019** *(Unaudited)* *HK$'000*
Net (loss)/profit after tax — Hopefluent China Group	(450,721)	199,968	157,333
Net (loss)/profit after tax — Poly Consultancy Group	(100,061)	145,840	256,248

Despite the amicable cooperation between the parties at board level of Hopefluent China, the actual day to day operations and management of the Hopefluent China Group and the Poly Consultancy Group below the board level remained relatively separate and thus the profit essentially is generated to Hopefluent China by the Hopefluent China Group and the Poly Consultancy Group separately. The actual accumulated profits contributed by the Hopefluent China Group and the Poly Consultancy Group have been and will be determined based on their respective accounts.

As at 31 December 2021, the accumulated distributable profits of Hopefluent China amounted to approximately HK$1.2 billion. Since 1 January 2022 and up to the Latest Practicable Date, Hopefluent China had not declared any dividend and hence it had no undistributed dividend.

Dividend distribution by Poly Consultancy Group should be allocated on or after the Effective Date, and sufficient funds should be reserved to pay all (including existing and contingent) debts, taxes and obligations before dividend distribution.

The net loss of the Hopefluent China Group and the Poly Consultancy Group was mainly attributable to (i) the increase in costs for marketing and sales channels in order to accelerate sales; and (ii) increase in external staff costs in linking various marketing and sales channels. In addition to the above, the net loss of the Hopefluent China Group was also attributable to the provision of additional allowance on expected credit loss of the Group's outstanding accounts receivables from certain customers engaged in property related services and property developers whose credit quality has worsened in the fourth quarter of 2021.

Brands and registered trademarks

The Parties agree that, since the Effective Date, the Hopefluent Parties and the Poly Parties shall not use the other Party's brand and registered trademarks, and the business that has used the other Party's brand but has not yet completed before the signing of the Agreement can continue to use the other Party's brand until such business is fully carried out. If either Party violates the Agreement and damages the brand and reputation of the other Party, it shall be deemed as a breach of the Agreement and shall be liable for breach of the Agreement and compensation for losses to the other Parties.

Release of Non-Compete Undertaking

Under the 2018 Cooperation Agreement, the Company and Poly Developments agreed to procure that their respective primary and secondary real estate agency businesses would be exclusively operated by Hopefluent China, and the Company and Poly Developments, including entities under their respective control, would not invest in other entities engaged in primary and secondary real estate agency businesses or operate any business similar to that of Hopefluent China unless such businesses are operated by Hopefluent China (the "**Non-Compete Undertaking**").

The Hopefluent Parties and the Poly Parties agree that after the Effective Date, the Hopefluent Parties and the Poly Parties are entitled to determine their own sales/agent business model according to their business needs and will no longer be restricted by the Non-Compete Undertaking.

The Poly Parties shall fulfill its obligations in relation to the Property Agency Transactions as stipulated in the Agreement.

Valuation

The net effect of the Proposed Restructuring is that the Company will dispose of the Poly Consultancy Group via the Transformation, and acquire the 43.9% equity interest in Hopefluent China (excluding the Poly Consultancy Group). There is no cash consideration involved in the Proposed Restructuring. For the purpose of determining the classification of the Proposed Restructuring under Rule 14.06 of the Listing Rules, 56.1% of the net asset value of Poly Consultancy is taken to be the consideration for the disposal of the Poly Consultancy Group, and 43.9% of the net asset value of Hopefluent China (excluding the Poly Consultancy Group) is taken to be the consideration for the acquisition of the 43.9% equity interest in Hopefluent China (excluding the Poly Consultancy Group).

Based on the unaudited accounts of the Group for the year ended 31 December 2021, (a) the net asset values of Hopefluent China as at 31 December 2021 was approximately HK$2,375 million; (b) the net asset values of the Hopefluent China Group as at 31 December 2021 was approximately HK$1,214 million; and (c) the net asset values of the Poly Consultancy Group as at 31 December 2021 was approximately HK$1,161 million.

The Company expects to record an unaudited disposal loss (before tax and expenses) of approximately HK$207 million, which is determined by (i) the difference in the fair value of 43.9% equity interest in the Hopefluent China Group as at 31 December 2021 based on an independent valuation report dated 30 March 2022 issued by BMI Appraisals Limited and the net asset value of 56.1% equity interest in the Poly Consultancy Group and (ii) the impairment of goodwill. According to HKFRS 3 B64(f), the acquisition of 43.9% equity interest in the Hopefluent China Group by the Group shall be measured at fair value. Please refer to Note 4 to Unaudited Pro Forma Consolidated Cash Flow Statement of Appendix III on pages III-7 and III-8 of this circular for further details.

After the date of completion of the Proposed Restructuring, the Company will engage an independent valuer to prepare a valuation report to determine the financial status of the Poly Consultancy Group and the Hopefluent China Group for the period between the Original Restructuring Completion Date and the date of completion of the Proposed Restructuring.

The aforesaid valuation report is prepared solely for the accounting purpose of determining the gain or loss recorded by the Company upon completion of and as a result of the Proposed Restructuring.

Poly Developments' cessation to hold any equity interest in Hopefluent China

After the Transformation Completion Date, the Hopefluent Parties and the Poly Parties will arrange for Poly Developments to cease to hold its 43.9% equity interest in Hopefluent China (the "**Cessation of Interest**") by way of share transfer or capital reduction. Depending on whether such cessation is to be implemented by transfer of equity interest by Poly Developments to Hopefluent Investment (or other member(s) of the Group) or capital reduction in Hopefluent China, such cessation constitutes an acquisition by the Company for the purposes of the Listing Rules.

Where the Cessation of Interest is performed through share transfer, Hopefluent Investment (or other member(s) of the Group) will enter into a share transfer agreement with Poly Developments, register the equity interest to be acquired with the relevant Administration Bureau for Industry and Commerce and perform all necessary procedures in connection with the Cessation of Interest.

Where the Cessation of Interest is performed through capital reduction, the following procedures will be involved, where the board of directors of Hopefluent China will formulate a capital reduction plan which is subject to approval from the shareholders of Hopefluent China. After the passing of resolution by the shareholders of Hopefluent China approving the capital reduction, Hopefluent China will serve a notice and publish an announcement informing its creditors of the capital reduction. Hopefluent China will then apply for registration of the change of capital reduction if no creditors request Hopefluent China to pay off its debts or provide corresponding guarantees. Such capital reduction will be performed in accordance with all the necessary PRC laws and regulations.

It is expected that the Cessation of Interest will be carried out by way of capital reduction as the preferred option for the Cessation of Interest. When capital reduction in Hopefluent China is not feasible or advisable for one reason or another, such as not being a tax efficient option, the transfer of equity interest by Poly Developments to Hopefluent Investment would be considered as an alternative option.

Upon completion of the Proposed Restructuring, Poly Consultancy will cease to be a subsidiary of the Company and Hopefluent China will become an indirectly wholly-owned subsidiary of the Company.

It is expected that the date of completion of the relevant procedures for Poly Developments' cessation to hold its 43.9% equity interest in Hopefluent China would be within one year after the Transformation Completion Date.

Regulatory compliance

After the Agreement takes effect and during the performance of the Parties' obligation under the Agreement, if a competent regulatory authority (including but not limited to the Stock Exchange and the SFC, the Shanghai Stock Exchange, the China Securities Regulatory Commission and its dispatched agencies, and the state-owned assets regulatory authorities) issues any order, direction and/or requirement to any Party, which results in that Party being unable or delayed to perform any of its obligations under the Agreement due to the need to comply with the said order, direction and/or requirement, the Party shall notify the other Parties as soon as possible (except for the circumstance where disclosure is prohibited by laws and regulations), and negotiate with the other Parties to adjust performance of the Agreement, so as to do its best to facilitate the transactions contemplated under the Agreement.

PROPERTY AGENCY TRANSACTIONS

Poly Developments is committed to the Hopefluent Parties that, Poly Developments will enter into first-hand agency business contracts with the Hopefluent Parties or its designated members of the Group for real estate development projects of Poly Developments with a saleable property value of not less than RMB80 billion (subject to the amount of the actual value to be agreed in the relevant sales agency contract between Poly Developments or its designated subsidiary and Hopefluent Parties or its designated members of the Group) every 12 months for five years commencing from the Effective Date. In respect of the Property Agency Transactions, Poly Developments may engage either (i) Hopefluent Parties as the sole agent or (ii) Hopefluent Parties and another agent as joint agents for selling the properties of real estate development projects of Poly Developments. The type of real estate development projects of Poly Developments in relation to the Property Agency Transactions will mainly be residential.

Real estate agency fee

If the Poly Parties engage the property agent(s) for the Property Agency Transactions, the agency fee specified in the project agency invitation issued by the Poly Parties shall not be lower than the current market practices in the region or the mainstream business terms of other agents engaged by Poly Developments.

The fees for real estate agency services to be offered by Poly Developments to Hopefluent China Group after completion of the Proposed Restructuring will be determined with reference to the fees payable by independent third parties for similar property projects, in terms of size, location and grading of property projects and such agency fee would be on normal commercial terms and in line with the market rate. Based on the information available to the Group, the real estate agency fee offered by the other stated-owned property developers with background similar to Poly Developments for the three years ended 31 December 2021 mainly ranged from 0.5% to 1.2%.

The Hopefluent Parties and the Poly Parties agree that for the purpose of awarding the Property Agency Transactions, Hopefluent Parties shall comply with the regulatory requirements applicable to state-owned enterprises which Poly Parties are subject to and the tender and engagement procedures of specific development project sales agencies.

The Board would like to clarify that there were inadvertent clerical errors identified in the Announcement and that the section headed "Real estate agency fee and other terms" on page 10 of the Announcement should be amended as the above section headed "Real estate agency fee" in this circular and the Transformation Period set out on page 19 of the Announcement: "31 March 2023" should be correctly stated as "31 May 2023". Save as disclosed in this circular, all other information and contents contained in the Announcement remain unchanged.

Historical Amounts

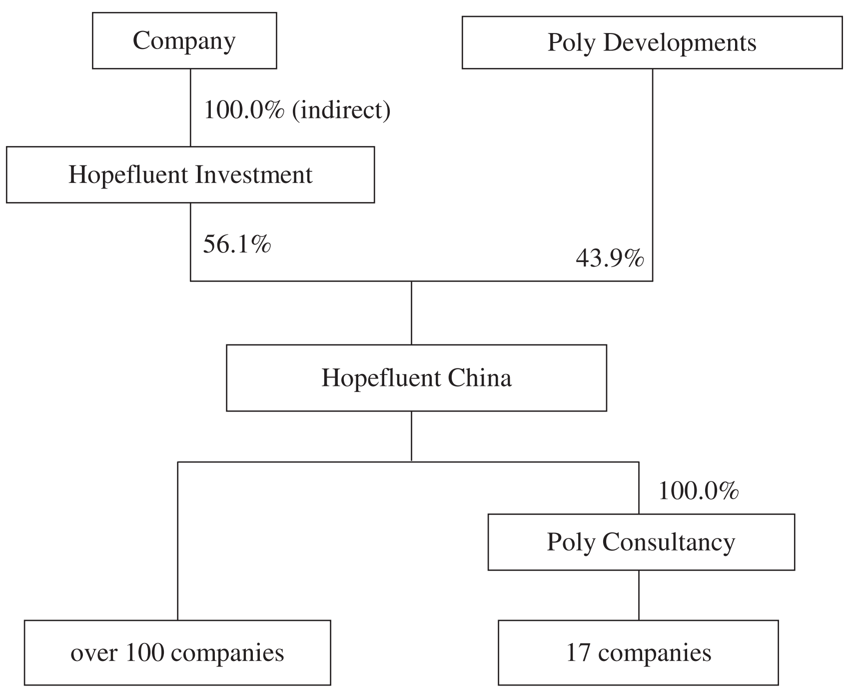
Since the entering into of the 2018 Master Agreement, the Group had been providing the real estate agency services to Poly Developments in the ordinary and usual course of business of the Group. The property value transacted from such real estate agency services provided by Hopefluent China Group to Poly Developments were approximately RMB13 billion, RMB11 billion and RMB13 billion for years ended 31 December 2019, 2020 and 2021 respectively.

SHAREHOLDING STRUCTURES BEFORE AND AFTER COMPLETION OF THE PROPOSED RESTRUCTURING

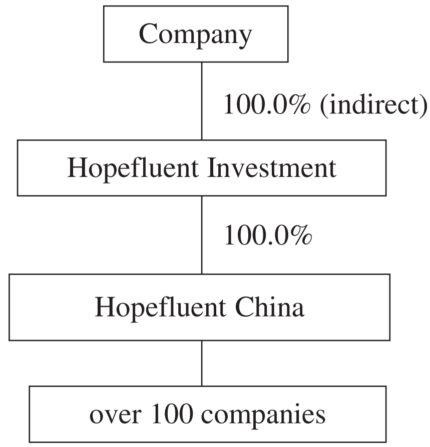
Upon completion of the Proposed Restructuring, Hopefluent China will become an indirectly wholly-owned subsidiary of the Company and members of the Poly Consultancy Group will cease to be subsidiaries of the Company.

The simplified shareholding structures of Hopefluent China and its subsidiaries immediately before and after the completion of the Proposed Restructuring are set out below:

Immediately before completion of the Proposed Restructuring



Immediately after completion of the Proposed Restructuring



INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of primary and secondary real estate agency services and financial services in the PRC.

The Group mainly operates through two segments. The property real estate agency segment of the Group is engaged in the provision of first-hand real estate services to property developers and secondary real estate services to corporates and individuals. The financial services segment of the Group is engaged in the provision of mortgage referral and loan financing services to individuals or companies.

Hopefluent China is an indirect non-wholly owned subsidiary of the Company and is principally engaged in the provision of property real estate agency services. As at the date of this circular, Hopefluent China is owned as to 56.1% by Hopefluent Investment and as to 43.9% by Poly Developments.

Poly Consultancy Group

Poly Consultancy and its subsidiaries are companies established under the laws of the PRC and are principally engaged in real estate agency and consultancy services. As at the date of this circular, Poly Consultancy is wholly owned by Hopefluent China.

Poly Developments

Poly Developments is a joint stock company incorporated in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange (stock code: 600048) and is principally engaged in real estate businesses. Poly Developments is a real estate developer in the PRC with a number of real estate development projects.

REASONS FOR AND BENEFITS OF THE PROPOSED RESTRUCTURING

After the completion of the 2018 Cooperation Restructuring, the Company and Poly Developments have on a best effort worked together to promote the comprehensive integration of Hopefluent China and its subsidiaries (including the Poly Consultancy Group). In carrying out such plans and the management integration work conducted between Hopefluent China Group and Poly Consultancy Group since 2019, the Company and Poly Developments have cooperated closely, thereby generating value for the Company and its shareholders.

However, despite the above and due to the difference in business culture, organisational systems and operating model between the Company and Poly Developments as a subsidiary of a central state-owned enterprise, the Company and Poly Developments were unable to reach full consensus on every aspects of the integration including the business and staff remuneration and management system of the Hopefluent China Group and the Poly Consultancy Group. Given the slow progress of such integration, and despite the amicable continuing cooperation between the parties, the actual day to day operations and management of the Hopefluent China Group and Poly Consultancy Group below the board level remained relatively separate and largely influenced by culture and systems of the Company and Poly Development respectively similar to the operating model before the 2018 Cooperation Restructuring.

Hopefluent China has been adhering to a highly market-oriented business model, which its projects are mainly obtained from property developers through its connection in over 200 cities in PRC. It has been cooperating closely with certain renowned property developers who invite the Group to submit project proposals for their projects. Such business model will continue to be carried out by Hopefluent China after the Proposed Restructuring. As the business of Hopefluent China is mainly derived from property developers in PRC, it has over 30 key customers (other than Poly Developments and its related companies) who are state-owned enterprises or companies (or subsidiaries thereof) listed on the Stock Exchange or other major stock exchanges and have been cooperating with the Group for more than three years. Approximately 96% of revenue of the Remaining Group for the real estate agency services segment was generated from its customers other than Poly Developments and its related companies for the year ended 31 December 2021.

After completion of the Proposed Restructuring, the property agency services will continue to be the core business of the Group. The Group has been closely monitoring the changes in market and industry trends. Based on its extensive offline practical experience and accumulation of customer resources over the years, the Group considers that a model combining online internet operations with traditional offline real estate agency services business would increase its competitiveness and be more methodical and effective in expanding its business. Thus, the Group will continue to invest in cultivating its "AI Hopefluent" platform. The online model would effectively supplement the traditional offline model through business practice, with the assistance of AI data mining and its professional team to facilitate a notable increase in the viewing and transaction rates against the traditional model. The Group will also continue to obtain projects through various marketing and sales channels. The Group has been making and will continue to make its efforts to expand its customer base and services and secure more agency projects in different regions in PRC through its connection, marketing and sales channels and online model in order to reinforce its leading position in China's property service market.

The contribution of Hopefluent China to the Group's total revenue for the year ended 31 December 2021 was 97%.

The Board undertakes strategic review of its businesses from time to time with a view to maximising returns to the Shareholders and to align with the business development strategy direction of the Group. In considering the original model of cooperation and the results achieved so far, it is considered that value of such cooperation has largely been gained and that further efforts to integrate would not create additional value nor assist in the long-term strategies of the Group.

On the other hand, through a change in the model of cooperation in the form of the Proposed Restructuring, the full value of the growth experienced between Hopefluent China Group and Poly Consultancy Group can be unlocked and new business synergies can be explored, such as the Property Agency Transactions (please refer to the section headed "PROPERTY AGENCY TRANSACTIONS" in this circular for further details).

Despite the changes as part of the Proposed Restructuring, the Company is confident that it can enhance the core competitiveness of Hopefluent China. Further, the Company expects to benefit from the continued cooperation with Poly Developments in the form of the Property Agency Transactions. In addition, the expected disposal loss upon completion of the Proposed Restructuring is only for accounting purpose. Accordingly, the Board believes that the Agreement would not have any material adverse impact on the financial position and business operation of the Group.

In view of the above reasons and benefits, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that the terms of the Agreement and the transactions contemplated thereunder have been negotiated on an arm's length basis between the Parties on normal commercial terms, and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL SUMMARY OF POLY CONSULTANCY GROUP

The table below sets forth unaudited consolidated financial information of Poly Consultancy Group for the years ended 31 December 2019, 2020 and 2021:

	For the year ended 31 December 2021 *(Unaudited)* *HK$'000*	**For the year ended 31 December 2020** *(Unaudited)* *HK$'000*	**For the year ended 31 December 2019** *(Unaudited)* *HK$'000*
Revenue	4,496,736	3,142,326	2,518,825
Net (loss)/profit before tax	(86,891)	174,628	346,603
Net (loss)/profit after tax	(100,061)	145,840	256,248
Total assets	2,937,630	2,816,640	2,001,298
Total liabilities	1,776,308	1,585,528	989,794
Net assets	1,161,322	1,231,112	1,011,504

FINANCIAL SUMMARY OF HOPEFLUENT CHINA GROUP

The table below sets forth unaudited financial information of Hopefluent China Group for the years ended 31 December 2019, 2020 and 2021:

	For the year ended 31 December 2021 *(Unaudited)* *HK$'000*	**For the year ended 31 December 2020** *(Unaudited)* *HK$'000*	**For the year ended 31 December 2019** *(Unaudited)* *HK$'000*
Revenue	2,424,879	2,843,128	3,342,474
Net (loss)/profit before tax	(519,596)	268,263	225,524
Net (loss)/profit after tax	(450,721)	199,968	157,333
Total assets	2,820,417	3,185,458	2,734,542
Total liabilities	1,606,947	1,489,779	1,176,254
Net assets	1,213,470	1,695,679	1,558,288

EFFECT OF THE PROPOSED RESTRUCTURING

After completion of the Proposed Restructuring, Hopefluent China will cease to hold any direct or indirect interest in the Poly Consultancy Group or the Poly Consultancy Group Businesses, and Hopefluent Investment will hold 100% equity interest of Hopefluent China (excluding the Poly Consultancy Group), which in turn will hold all the existing equity interests of the Hopefluent China Group. The Proposed Restructuring constitutes a disposal for the purposes of the Listing Rules.

Upon completion of the Proposed Restructuring, Poly Consultancy will cease to be a subsidiary of the Company and Hopefluent China will become an indirectly wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this circular, Poly Developments is a shareholder of Hopefluent China directly holding 43.9% of the entire equity interests in Hopefluent China and hence a connected person of the Company.

After completion of the Proposed Restructuring, Hopefluent China will cease to hold any direct or indirect interest in the Poly Consultancy Group or the Poly Consultancy Group Businesses, and Hopefluent Investment will hold 100% equity interest of Hopefluent China, which in turn will hold the existing interest of the Hopefluent China Group. As the highest applicable percentage ratio of the Proposed Restructuring is more than 75%, the Proposed Restructuring amounts to a very substantial disposal and thus is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules.

With respect to Poly Developments' cessation to hold any equity interest in Hopefluent China, depending on whether such cessation is to be implemented by transfer of equity interest by Poly Developments to Hopefluent Investment (or other member(s) of the Group) or capital reduction in Hopefluent China, such cessation constitutes an acquisition by the Company for the purposes of the Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the such acquisition is more than 25% but below 100%, such acquisition will constitute a major transaction of the Company and thus is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules.

Property Agency Transactions

Reference is made to the 2018 Master Agreement. For further details, please refer to the Company's announcement dated 7 August 2018 and the Company's 2021 Annual Report. The Property Agency Transactions fall under the scope of the 2018 Master Agreement.

As Poly Developments is a connected person of the Company at the subsidiary level, pursuant to Rules 14A.101 of the Listing Rules, the Property Agency Transactions are exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Despite such exemption and given that the Property Agency Transactions form part of the Proposed Restructuring, the Company will seek Independent Shareholders' approval for the Property Agency Transactions.

The Property Agency Transactions will not be a continuing connected transaction of the Company under Chapter 14A of the Listing Rules after the completion of the Proposed Restructuring.

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders in relation to, among other things, the Agreement and transactions contemplated thereunder, including the Proposed Restructuring and the Property Agency Transactions, and to advise the Independent Shareholders on how to vote (to the extent applicable), taking into account the recommendation of the Independent Financial Adviser. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to, among other things, the Proposed Restructuring and the Property Agency Transactions.

Waiver from Compliance with Rule 14.67(6)(a)(i) of the Listing Rules

An application for waiver from strict compliance with the disclosure requirements under Rule 14.67(6)(a)(i) of the Listing Rules was made to the Stock Exchange. If the requirement of Rule 14.67(6)(a)(i) of the Listing Rules was to be complied with, the Company would have to include in this circular an accountants' report of Hopefluent China.

The Company considers that it would be unduly burdensome to fully comply with Rule 14.67(6)(a)(i) of the Listing Rules to set out an accountants' report of Hopefluent China which would involve considerable work and cost on the part of the Company, but not yield information that is meaningful to the Shareholders' assessment of the Proposed Restructuring, for the following reasons:

(a) The requirement to prepare an accountants' report of Hopefluent China would be unduly onerous

The financial information of Hopefluent China has already been disclosed as part of the Company's consolidated financial statements in the past, as Hopefluent China has been a subsidiary of the Company for years.

In addition, upon completion of the Proposed Restructuring, the Company will be interested in 100% of the equity interests in Hopefluent China and Hopefluent China will become a wholly owned subsidiary of the Company whose financial results, assets and liabilities will continue to be consolidated into the financial statements of the Group, given that the Company shall continue to control the board of directors and the general meeting of Hopefluent China upon completion of the Proposed Restructuring. As such, Hopefluent China would remain as a subsidiary of the Company after the acquisition of 43.9% equity interest in Hopefluent China from Poly Developments.

Taking into account of the factors set out above, and considering that the audited financial results prepared by Hopefluent China adopting IFRS (the same accounting policies as the Group) are not readily available and would involve considerable work and cost on the part of the Company to prepare them, the Company considers that it would be unduly onerous to require the Company to set out an accountants' report of Hopefluent China in this circular.

(b) *Hopefluent China to remain a subsidiary of the Company*

As Hopefluent China will remain a subsidiary of the Company following completion of the Proposed Restructuring, the impact of its operating results will continue to be reflected in the financial results of the Company. Accordingly, the Shareholders and the potential investors would have adequate access to the financial information of Hopefluent China at the relevant time.

The Company has included the unaudited financial information for the three years ended 31 December 2019, 2020 and 2021 of Hopefluent China Group (including revenue, net profit before and after taxation, total assets, total liabilities and net assets) in this circular for the Shareholders to better understand the financial performance and position of Hopefluent China. Based on the above reasons, the Company has applied for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirements of Rule 14.67(6)(a)(i) of the Listing Rules.

EGM

The notice convening the EGM to be held at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong at 3:00 p.m. on 28 June 2022 (Tuesday) is set out on pages EGM-1 to EGM-2 of this circular. An ordinary resolution will be proposed to the Shareholders at the EGM to consider and, if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder. The votes on the resolution proposed to be approved at the EGM will be taken by poll and an announcement on the poll vote result will be made by the Company after the EGM on the results of the EGM.

A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A form of proxy for use at the EGM is accompanied with this circular. A proxy need not be a member of the Company. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has material interest in the Proposed Restructuring and the Property Agency Transactions and accordingly no Shareholder would be required to abstain from voting at the EGM. In addition, none of the Directors has a material interest in the Proposed Restructuring and the Property Agency Transactions and accordingly no Director has abstained from voting on the Board resolution(s) to approve the Agreement.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and the letter from the Independent Financial Advisor set out on pages 25 to 45 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder.

The Directors (including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the letter from the Independent Financial Adviser in this circular) consider that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

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

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)

26 May 2022

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RESTRUCTURING INVOLVING VERY SUBSTANTIAL DISPOSAL, MAJOR ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular of the Company despatched to the Shareholders dated 26 May 2022 (the "Circular"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreement and the transactions contemplated thereunder involving the Proposed Restructuring and the Property Agency Transactions, are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of recommendation from Octal Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, as set out on pages 25 to 45 of the Circular and the letter from the Board set out on pages 5 to 22 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the advice of the Independent Financial Adviser as stated in its letter of recommendation, we consider that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and although the Proposed Restructuring is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

LAM King Pui **NG Keung** **WONG LAW Kwai Wah, Karen**

Independent Non-Executive Directors

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

八方金融有限公司
OCTAL Capital Limited

801–805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

26 May 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

PROPOSED RESTRUCTURING INVOLVING VERY SUBSTANTIAL DISPOSAL, MAJOR ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement, particulars of which are set out in the Letter from the Board (the "**Letter from the Board**") of the circular of the Company dated 26 May 2022 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined under the definition section of the Circular.

On 31 March 2022 (after trading hours), the Hopefluent Parties and the Poly Parties entered into the Agreement in relation to the Proposed Restructuring and the Property Agency Transactions in order to adjust their mode of cooperation under the 2018 Cooperation Agreement such that the Poly Parties and the Hopefluent Parties can operate their respective real estate agency business independently. In addition, each of the Poly Parties and the Hopefluent Parties will be released from the Non-Compete Undertaking, and they will be free to operate their respective real estate agency business, and may cooperate on individual projects in future.

In respect of the Property Agency Transactions, Poly Developments has undertaken to the Hopefluent Parties that after the Effective Date, Poly Developments will enter into first-hand real estate agency business contracts with the Hopefluent Parties or its designated members of the Group for real estate development projects of Poly Developments with a saleable property value of not less than RMB80 billion (subject to the amount of the actual value to be agreed in the relevant real estate agency contract between Poly Developments or its designated subsidiary and Hopefluent China or its designated members of the Group) every 12 months for five years after the Effective Date.

As at the Latest Practicable Date, Poly Developments is a shareholder of Hopefluent China directly holding 43.9% of the entire equity interests in Hopefluent China and hence a connected person of the Company at the subsidiary level.

After completion of the Proposed Restructuring, Hopefluent China will cease to hold any direct or indirect interest in the Poly Consultancy Group or the Poly Consultancy Group Businesses, and Hopefluent Investment will hold 100% equity interest of Hopefluent China, which in turn will hold all the existing equity interests of the Hopefluent China Group. As the highest applicable percentage ratio of the Proposed Restructuring is more than 75%, the Proposed Restructuring constitutes a very substantial disposal and thus it is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules.

With respect to Poly Developments' cessation to hold any equity interest in Hopefluent China, depending on whether such cessation is to be implemented by transfer of equity interest by Poly Developments to Hopefluent Investment (or other member(s) of the Group) or capital reduction in Hopefluent China, such cessation constitutes an acquisition by the Company for the purposes of the Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of such acquisition is more than 25% but below 100%, such acquisition will constitute a major transaction of the Company and thus is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules.

As Poly Developments is a connected person of the Company at the subsidiary level, pursuant to Rule 14A.101 of the Listing Rules, the Property Agency Transactions are exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Despite such exemption and given that the Property Agency Transactions form part of the Proposed Restructuring, the Company will seek Independent Shareholders' approval for the Property Agency Transactions.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. LAM King Pui, Mr. NG Keung and Mrs. WONG LAW Kwai Wah, Karen, has been formed to advise the Independent Shareholders in relation to, among other things, the Agreement and transactions contemplated thereunder, including the Proposed Restructuring and the Property Agency Transactions, and to advise the Independent Shareholders on how to vote (to the extent applicable).

We, Octal Capital, have been appointed, with approval of the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder, including the Proposed Restructuring and the Property Agency Transactions. We are not connected with the Directors, chief executive and substantial shareholders of the Company or Poly Developments or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and is therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, including the Proposed Restructuring and the Property Agency Transactions. During the last two years, we have been engaged by the Company as an independent financial adviser to the Company in respect of the mandatory unconditional cash offer in respect of all the issued shares of the Company and we are required to express our opinion on and give recommendations to the independent board committee and independent shareholders thereon. For details, please refer to the circular of the Company dated 27 May 2020. Apart from normal professional fees paid or payable to us in connection with the appointment as the independent financial adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the independent financial adviser in respect of the Agreement and the transactions contemplated thereunder pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on (i) the Company's annual reports for the year ended 31 December ("**FY**") 2020 (the "**2020 Annual Report**") and 2021 (the "**2021 Annual Report**"); (ii) the Agreement; (iii) the 2018 Cooperation Agreement; (iv) the 2018 Master Agreement; (v) the Announcement; (vi) the information and facts contained or referred to in the Circular; (vii) the information supplied by the Group; (viii) the opinions expressed by and the representations of the Directors and the management of the Group; and (ix) our review of the relevant public information. We have relied on the accuracy of the information, facts and representations supplied, and the opinions expressed to us, by the Group, the Directors and the management of the Group. We have also relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Agreement, and the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and Poly Developments, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

We consider that we have reviewed sufficient information and documents to reach an informed view, to justify our reliance on the truth and accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. Based on the foregoing, we also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the Agreement, we have taken into consideration of the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of primary and secondary real estate agency services and financial services in the PRC.

The Group mainly operates through two segments. The property real estate agency segment of the Group is engaged in the provision of first-hand real estate services to property developers and secondary real estate services to corporates and individuals. The financial services segment of the Group is engaged in the provision of mortgage referral and loan financing services to individuals or companies.

The table below summarises the audited financial information of the Group for FY 2019, FY 2020 and FY 2021 extracted from the 2020 Annual Report and the 2021 Annual Report.

	FY 2021 *HK$ million* (audited)	**FY 2020** *HK$ million* (audited)	**FY 2019** *HK$ million* (audited)
Agency commission	6,986	5,994	5,861
Finance income	180	199	215
Total revenue	7,166	6,193	6,076
Profit/(Loss) for the year	(753)	366	464

Source: 2020 Annual Report and 2021 Annual Report

FY 2020 compared to FY 2019

The revenue of the Group increased from approximately HK$6,076 million for FY 2019 to approximately HK$6,193 million for FY 2020, representing an increase of approximately HK$117 million or approximately 2%. The increase was mainly due to the introduction of online platform operation which provided attentive and convenient services to customers and allowed the Group to make effective resources deployment.

The profit for FY 2020 amounted to approximately HK$366 million, representing a decrease of approximately HK$98 million or 21% as compared to that for FY 2019. The decrease in net profit was mainly due to the increase in selling expenses.

FY 2021 compared to FY 2020

The revenue of the Group increased from approximately HK$6,193 million for FY 2020 to approximately HK$7,166 million for FY 2021, representing an increase of approximately HK$973 million or approximately 16%. The increase was mainly due to the increase in projects entrusted by certain developers to the Group to accelerate the sales.

The Group recorded net loss of approximately HK$753 million for FY 2021 which was mainly due to (i) the substantial increase in staff cost in linking the marketing and sales channels for the new projects; and (ii) additional provision for expected credit losses on outstanding accounts receivable and loan receivables.

The major items of the audited consolidated financial position of the Group as at 31 December 2021 extracted from the 2021 Annual Report is summarised as below:

	As at 31 December 2021 *HK$ million* (audited)
Non-current assets	
Investment properties	139
Property, plant and equipment	325
Right-of-use assets	271
Goodwill	219
Other non-current assets	299
	1,253
Current assets	
Accounts receivable	1,204
Security deposits	1,424
Bank balances and cash	1,721
Other current assets	1,393
	5,742
Total assets	6,995

	As at 31 December 2021 *HK$ million* (audited)
Non-current liabilities	
Lease liabilities	158
Deferred tax liabilities	62
Other borrowings	190
	410
Current liabilities	
Payables and accruals	1,124
Contract liabilities	838
Bank and other borrowings	327
Other current liabilities	183
	2,472
Total liabilities	2,882
Net current assets	3,270
Net assets	4,113
Gearing ratio (total borrowings/total assets)	7.4%

Source: 2021 Annual Report

As at 31 December 2021, the Group's total assets amounted to approximately HK$6,995 million in which the accounts receivable, security deposits and bank balance and cash were in aggregate amounted to approximately HK$4,349 million, representing approximately 62% of the total assets.

The Group's total liabilities mainly include payables and accruals and contract liabilities, which in aggregate amounted to approximately HK$1,962 million as at 31 December 2021, representing approximately 68% of the total liabilities as at 31 December 2021. The Group's gearing ratio (as defined above) as at 31 December 2021 was approximately 7%.

2. Background information of the Poly Consultancy Group

Poly Consultancy and its 17 subsidiaries are companies established under the laws of the PRC and are principally engaged in real estate agency and consultancy services.

The table of the unaudited consolidated financial information of the Poly Consultancy Group for the three years ended 31 December 2021 as extracted from the Appendix II to the Circular are set out below:

	FY 2021 *HK$ million* (unaudited)	**FY 2020** *HK$ million* (unaudited)	**FY 2019** *HK$ million* (unaudited)
Revenue	4,497	3,142	2,519
Net profit/(loss) before tax	(87)	175	347
Net profit/(loss) after tax	(100)	146	256

The revenue of the Poly Consultancy Group increased by approximately 25% from approximately HK$2,519 million in FY 2019 to approximately HK$3,142 million in FY 2020. We understand from the management of the Company that such increase was mainly attributable to the increase in projects entrusted by Poly Developments. The profit before tax of the Poly Consultancy Group decreased by approximately 50% from approximately HK$347 million in FY 2019 to approximately HK$175 million in FY 2020. In line with the profit before tax, the profit after tax of the Poly Consultancy Group decreased by approximately 43% from approximately HK$256 million in FY 2019 to approximately HK$146 million in FY 2020. The decrease in net profit was mainly attributable to the increase in selling expenses.

The revenue of the Poly Consultancy Group increased by approximately 43% from approximately HK$3,142 million in FY 2020 to approximately HK$4,497 million in FY 2021. We understand from the management of the Company that such increase was attributable to the increase in projects entrusted by Poly Developments. The Poly Consultancy Group recorded net loss before tax and net loss after tax for FY 2021 amounted to approximately HK$87 million and HK$100 million respectively. The Poly Consultancy Group turned from net profit in FY 2020 to net loss in FY 2021 mainly attributable to the increase in selling expenses due to the expansion of sales channel.

The table below summarises the consolidated financial position of the Poly Consultancy Group as at 31 December 2021:

	As at 31 December 2021
	HK$ million
	(unaudited)
Investment properties	21
Property, plant and equipment	58
Right-of-use assets	136
Other non-current assets	66
Total non-current assets	281
Accounts receivable	299
Security deposits	1,390
Bank balances and cash	886
Other current assets	82
Total current assets	2,657
Total assets	2,938
Total non-current liabilities	68
Payables and accruals	833
Contract liabilities	791
Other current liabilities	85
Total current liabilities	1,709
Total liabilities	1,777
Net current assets	948
Net assets	1,161

The total assets of the Poly Consultancy Group mainly included security deposits, which in aggregate amounted to approximately HK$1,390 million as at 31 December 2021, representing approximately 47% of total assets of the Poly Consultancy Group. The Poly Consultancy Group had cash and cash equivalent of approximately HK$886 million as at 31 December 2021, representing approximately 30% of total assets of Poly Consultancy Group.

The total liabilities of the Poly Consultancy Group mainly included payables and accruals and contract liabilities, which in aggregate amounted to approximately HK$1,624 million as at 31 December 2021, representing approximately 91% of total liabilities of the Poly Consultancy Group. Poly Consultancy Group maintained net asset position of approximately HK$1,161 million.

3. Reasons for and benefits of the Proposed Restructuring

As stated in the Letter from the Board, after the completion of the 2018 Cooperation Restructuring, the Company and Poly Developments have on a best effort basis worked together to promote the comprehensive integration of Hopefluent China and its subsidiaries (including the Poly Consultancy Group). In carrying out such plans and the management integration work between the Hopefluent China Group and the Poly Consultancy Group since 2019, the Company and Poly Developments have cooperated closely, thereby generating value for the Company and its shareholders. However, despite the above and due to the difference in business culture, organizational systems and operating model between the Company and Poly Developments as a subsidiary of a central state-owned enterprise, the Company and Poly Developments were unable to reach full consensus on every aspect of the integration including the business and staff remuneration and management system of the Hopefluent China Group and the Poly Consultancy Group. Given the slow progress of such integration, and despite the amicable continuing cooperation between the parties, the actual day to day operations and management of the Hopefluent China Group and the Poly Consultancy Group below the board level remained relatively separate and largely influenced by culture and systems of the Company and Poly Developments respectively similar to the operating model before the 2018 Cooperation Restructuring.

As stated in the circular of the Company dated 22 June 2018 regarding the 2018 Cooperation Restructuring, it was expected that the 2018 Cooperation Restructuring would achieve synergies with the real estate agency business of both the Hopefluent China Group and the Poly Consultancy Group by fully utilising their sales network, experience and resources. However, as witnessed from the historical financial performance of Hopefluent China, the synergies achieved have fallen short than expected. We noted from the 2020 Annual Report and the 2021 Annual Report, before intra-group eliminations, Hopefluent China recorded revenue of approximately HK$5,861 million, HK$5,986 million and HK$6,922 million for the year ended 31 December 2019, 2020 and 2021 respectively. Despite the moderate growth on the revenue during the past three years, Hopefluent China recorded consolidated net profit of approximately HK$414 million and HK$346 million for the year ended 31 December 2019 and 2020 respectively and recorded consolidated net loss of approximately HK$551 million for the year ended 31 December 2021. The net profit margin of Hopefluent China recorded a drop from approximately 7.1% for the year ended 31 December 2019 to 5.8% for the year ended 31 December 2020, and it turned negative for the year ended 31 December 2021. Save for the provision for the expected credit loss on accounts receivable for the year ended 31 December 2021 as a result of the deterioration in credit quality of certain property developer customers, the increase in selling expenses and administrative expenses also contributed to the declining trend of Hopefluent China's profitability in the previous three years.

As further stated in the Letter from the Board, the Board undertakes a strategic review of its businesses from time to time with a view of maximising returns to the Shareholders and to align with the business development strategy direction of the Group. In respect of the original mode of cooperation and the results achieved so far under the 2018 Cooperation Restructuring, it is considered that the value of such cooperation has largely been gained and that further efforts to integrate would not create additional value nor assist in the long-term strategies of the Group. Based on our further discussion with the Group, in respect of first-hand real estate agency business, we understand that the Poly Consultancy Group mainly focused on selling real estate properties of Poly Developments since the commencement of the 2018 Cooperation Restructuring. On the other hand, the Hopefluent China Group has established a number of subsidiaries or services offices to expand its real estate agency business network and acted as property agents for different real estate property developers in the PRC over the past few years. Owing to the difference in the perspective of business development between Hopefluent China Group and Poly Consultancy Group, the development of their real estate agency business remained in their respective direction. Although certain value creation has achieved, and the original purpose of business integration of the 2018 Cooperation Restructuring has not been achieved as planned. As stated in the Letter from the Board, Hopefluent China has been adhering to a highly market-oriented business model, which its projects are mainly obtained from property developers through its connection in over 200 cities in PRC. It has been cooperating closely with certain renowned property developers who invite the Group to submit project proposals for their projects. Such business model will continue to be carried out by Hopefluent China after the Proposed Restructuring. After completion of the Proposed Restructuring, the property agency services will continue to be the core business of the Group. The Group has been closely monitoring the changes in market and industry trends. Based on its extensive offline practical experience and accumulation of customer resources over the years, the Group considers that a model combining online internet operations with traditional offline real estate agency services business would increase its competitiveness and be more methodical and effective in expanding its business. The Group will also continue to obtain projects through various marketing and sales channels. The Group has been making and will continue to make its efforts to expand its customer base and services and secure more agency projects in different regions in PRC through its connection, marketing and sales channels and online model in order to reinforce its leading position in China's property service market.

We consider that the 2018 Cooperation Restructuring was a form of cooperation between the Group and Poly Developments which both parties wished to jointly operate under a common vehicle in respect of their respective real estate agency businesses, rather than a typical acquisition as the 2018 Cooperation Restructuring did not involve any cash consideration nor any consideration shares at listed company level whereas Poly Developments retains day to day operations and management over its business under Poly Consultancy. Meanwhile, we also consider that the Proposed Restructuring was not a typical disposal as the Proposed Restructuring does not involve any consideration payable. In view that the previous mode of cooperation was not optimal and the business environment has been increasingly competitive, both parties explored and proposed the Proposed Restructuring which represents the change of mode of cooperation between the Group and Poly Developments in respect of their respective real estate agency businesses. Hence, we should not adopt a stereotype approach to interpret and assess the financial impacts/figures arising from the Proposed Restructuring in light of the nature that those accounting treatment figures would not have impact on the operations and cashflows of the Group. For instance, we noted that the Company expects to record an unaudited loss on disposal (before tax and expenses) of approximately HK$207 million which represents (i) the difference in the fair value of 43.9% equity interest in the Hopefluent China Group as at 31 December 2021 based on an independent valuation report dated 30 March 2022 issued by BMI Appraisals Limited and the net asset value of 56.1% equity interest in the Poly Consultancy Group of approximately HK$969,000 (the "**Value Difference**") as detailed in the Appendix III to the Circular; and (ii) the impairment loss on goodwill of approximately HK$206 million (the "**Goodwill Impairment**"), being the goodwill recognised upon completion of 2018 Cooperation Restructuring based on the difference between the recognition of the 56.1% of the net asset value of the Poly Consultancy Group and the 43.9% of the net asset value of the Hopefluent China Group. However, the goodwill arose from the 2018 Cooperation Restructuring was merely an accounting treatment for the relevant transaction of Poly Developments injecting the Poly Consultancy Group into Hopefluent China in exchange for the 43.9% equity interest in Hopefluent China while Hopefluent HK's interest in Hopefluent China reduced to 56.1%. The resultant Value Difference of approximately HK$969,000 arising from the Proposed Restructuring was also an accounting treatment to account for the Cessation of Interest to be carried out by way of share transfer or capital reduction, and there will be no cash consideration payable to Poly Developments for the Group's increase in 43.9% equity interest in Hopefluent China (excluding the Poly Consultancy Group). Nevertheless, the Proposed Restructuring represents the reversal of the effect of the 2018 Cooperation Restructuring such that the Group and Poly Development can restore their original 100% ownership in the Hopefluent China Group and the Poly Consultancy Group respectively. There were no exchange of cashflows in both transactions between both parties.

The Poly Consultancy Group has been operating independently from the Hopefluent China Group and there have not been any financial arrangements, including any loan, borrowings or financial guarantee, between the Hopefluent China Group and Poly Consultancy Group. We further understand from the Company that the Hopefluent China Group and Poly Consultancy Group have only injected capital and devoted resources in their own companies since the commencement of the 2018 Cooperation Restructuring. The subsidiaries of the Hopefluent China Group and Poly Consultancy Group have not distributed any dividend to Hopefluent China, being their common shareholder, such that Hopefluent China has not distributed any dividend to Hopefluent Investment and Poly Developments since the commencement of the

2018 Cooperation Restructuring. As at 31 December 2021, the accumulated distributable profits of Hopefluent China amounted to approximately HK$1.2 billion. Since 1 January 2022 and up to the Latest Practicable Date, Hopefluent China had not declared any dividend and hence it had no undistributed dividend. Moreover, all taxes, fees and responsibilities arising from the Proposed Restructuring shall be borne by Poly Developments. In view that, (i) there was no cash consideration for both of the 2018 Cooperation Restructuring and the Proposed Restructuring; (ii) the Hopefluent China Group has not injected capital or devoted resources to the Poly Consultancy Group since the commencement of the 2018 Cooperation Restructuring; and (iii) Hopefluent China has not distributed any dividend to Hopefluent Investment and Poly Developments, we consider that the Proposed Restructuring, which mainly aims to unwind the 2018 Cooperation Restructuring, would not have material adverse impact on the cashflows of the Group.

It is expected that, through a change in the mode of cooperation in the form of the Proposed Restructuring, the full value of the growth experienced between the Hopefluent China Group and Poly Consultancy Group can be unlocked and new business synergies can be explored, such as the Property Agency Transactions. For instance, as stated in the Letter from the Board, Poly Developments has undertaken to the Hopefluent Parties that after the Effective Date, Poly Developments will enter into first-hand real estate agency business contracts with the Hopefluent Parties or its designated members of the Group for real estate development projects of Poly Developments with a saleable property value of not less than RMB80 billion. For details, please refer to the paragraph headed "Property Agency Transactions" in the Letter from the Board or the section headed "6. Principal terms of the Property Agency Transactions" in this letter. Taking into account the property value transacted in relation to the provision of real estate agency services from the Hopefluent China Group to Poly Developments ranging from approximately RMB11 billion to RMB13 billion for the three years ended 31 December 2021, the Group is expected to capture more business opportunities from the Property Agency Transactions under the new cooperation with the Poly Consultancy Group whereby the profitability would be improved. For details of the analysis of the impact of the Property Agency Transactions, please refer to the paragraph headed "Analysis of the major terms stipulated in the Agreement" in this letter. Moreover, in view of the healthy and satisfactory accounts receivable payment history of Poly Developments and the state-owned background of Poly Developments' major shareholder, the credit risk of Poly Developments is relatively low. If the portion of the Group's revenue generated from Poly Developments increases as a result of the Property Agency Transactions, the overall collection of the Group's accounts receivable as well as the Group's cashflows will be improved.

In 2021, under the general principle of "houses are for living, not for speculation", there was a demand for stabilizing land premiums, housing prices and expectations. The implementation of the "three red lines" policy has restricted the leverage of property developers in the PRC, leading to a number of property enterprises facing financial difficulties and insufficient cashflow. The traditional property developers were actively deleveraging to ensure delivery and survival and the market shares are concentrating towards high-quality enterprises and the government continued to increase investment in affordable housing and rental properties, and state-owned enterprises have become the main land acquirers. Nonetheless, in early 2022, the government policies towards the PRC real estate industry generally turn positive. On 16 March 2022, People's Bank of China announced that there should be moderate growth of new loans while preventing and resolving the market risks of the real estate industry. Moreover, according to an article released from Fang.com, a leading real estate Internet portal in the PRC, on 1 April 2022, several cities in the PRC including Fuzhou city, Zhengzhou city and Harbin city have relaxed the relevant property purchase restriction policies, and it is expected that other cities in the PRC will follow. As advised by the management of the Company, the strong background of Poly Developments would give confidence to its customers and the recent positive policies towards the real estate industry would facilitate the Group to generate ample revenue under the Property Agency Transactions.

Furthermore, pursuant to the 2018 Master Agreement, the Non-Compete Undertaking has restricted both the Company and Poly Developments, including entities under their respective control, from investing in other entities engaged in primary and secondary real estate agency businesses or operating any business similar to that of Hopefluent China unless such businesses are operated by Hopefluent China. As a result of the release of the Non-Compete Undertaking, after the Effective Date, the Hopefluent Parties and the Poly Parties are entitled to determine their own real estate agency business model according to their business needs and will no longer be restricted by the Non-Compete Undertaking. In light of the current changing business environment of the PRC real estate market, the release of the Non-Compete Undertaking would provide flexibility to the Group to determine its own real estate agency business model and change its business strategies swiftly according to its business needs and market evolvements, thereby enhancing the core competitiveness of Hopefluent China. Further, the Company expects to benefit from the continued cooperation with Poly Developments in the form of the Property Agency Transactions.

Based on the above, we concur with the Directors that there is a strong commercial rationale for the Group to undergo the Proposed Restructuring and the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Agreement

Major terms of the Agreement are summarised as below:

Date: 31 March 2022 (after trading hours)

Parties:

1. Poly Developments
2. Poly Consultancy
3. Hopefluent HK
4. Hopefluent Investment
5. Hopefluent China
6. the Company

The Objective:

To adjust the cooperation under the 2018 Cooperation Agreement such that the Poly Parties and the Hopefluent Parties can operate their respective real estate agency business independently. For Poly Parties, they will operate the existing Poly Consultancy Group Business independent from the Hopefluent China platform. Each of the Poly Parties and the Hopefluent Parties will be released from the Non-Compete Undertaking, and will be free to operate their respective real estate agency business, and may cooperate on individual projects in future.

Ownership of the rights and interests of the Poly Consultancy Group and the Hopefluent China Group:

The Hopefluent China Group and the Poly Consultancy Group will be operated and managed by the Hopefluent Parties and the Poly Parties respectively.

All Parties agree and confirm that since the Effective Date, even if Poly Developments has not yet gone through the procedures for the cessation to hold the Relevant Equity, Poly Developments will no longer beneficially hold the Relevant Equity (or any equity interest in Hopefluent China) and any rights and interests thereof. Poly Developments will entrust Hopefluent Investment to manage and exercise all rights and interests (including but not limited to voting rights and income rights) of its Relevant Equity. The entrustment period is from the Effective Date to the date of completion of all the procedures for cessation to hold the Relevant Equity by Poly Developments. During the entrustment period, all affairs of Hopefluent China (including but not limited to financial management, business decision making and other matters) shall be handled by Hopefluent Investment. From the Effective Date, Hopefluent Investment can exercise other shareholder's rights except for the equity disposal rights, and enjoy the profits and losses of Hopefluent China in proportion to the entrustment. Poly Developments will no longer effectively own any rights and interests of the Hopefluent China Group, and will not assume any rights and interests and responsibilities and obligations of the Hopefluent China Group, including but not limited to all creditor's rights and debts and litigation of the Hopefluent China Group.

Correspondingly, all Parties agree and confirm that since the Effective Date, Hopefluent China will no longer beneficially hold any rights and interests of Poly Consultancy. Hopefluent China will entrust Poly Developments to manage and exercise all rights and interests (including but not limited to voting rights and income rights) of Hopefluent China's equity interest in Poly Consultancy. The entrustment period is from the Effective Date to the date of completion of all the procedures for cessation to hold Hopefluent China's equity interest in Poly Consultancy. During the entrustment period, all affairs of Poly Consultancy (including but not limited to financial management, business decision-making and other matters) shall be handled by Poly Developments. From the

Effective Date, Poly Developments can exercise other shareholder's rights except for the equity disposal rights, and enjoy the profits and losses of Poly Consultancy in proportion to the entrustment. Hopefluent China will no longer effectively own any rights and interests of the Poly Consultancy Group, and will not assume any rights and interests and responsibilities and obligations of the Poly Consultancy Group, including but not limited to all creditor's rights and debts and litigation of the Poly Consultancy Group.

Upon completion of the Proposed Restructuring, Poly Consultancy will cease to be a subsidiary of the Company and Hopefluent China will become an indirectly wholly-owned subsidiary of the Company.

Release of Non-Compete Undertaking

Under the 2018 Cooperation Agreement, the Company and Poly Developments agreed to procure that their respective primary and secondary real estate agency businesses would be exclusively operated by Hopefluent China, and the Company and Poly Developments, including entities under their respective control, would not invest in other entities engaged in primary and secondary real estate agency businesses or operate any business similar to that of Hopefluent China unless such businesses are operated by Hopefluent China.

The Hopefluent Parties and the Poly Parties agree that after the Effective Date, the Hopefluent Parties and the Poly Parties are entitled to determine their own real estate agency business model according to their business needs and will no longer be restricted by the Non-Compete Undertaking.

Analysis of the major terms stipulated in the Agreement

For the purpose of determining the classification of the Proposed Restructuring under Rule 14.06 of the Listing Rules, 56.1% of the net asset value of Poly Consultancy is taken to be the consideration for the disposal of the Poly Consultancy Group, and 43.9% of the net asset value of Hopefluent China (excluding the Poly Consultancy Group) is taken to be the consideration for the acquisition of the 43.9% equity interest in Hopefluent China (excluding the Poly Consultancy Group).

As mentioned in the paragraph headed "3. Reasons for and benefits of the Proposed Restructuring" in this letter, the Company expects to record an unaudited disposal loss (before tax and expenses) of approximately HK$207 million as a result of the Value Difference and the Goodwill Impairment. Both of which represent the accounting treatment of the Proposed Restructuring, we consider that the Proposed Restructuring would not have any material impact on the cashflows of the Group.

In addition, the Group's future revenue would be enhanced under the Property Agency Transactions. As stated in the Letter from the Board, the property value transacted from the provision of real estate agency services to Poly Developments were approximately RMB13 billion, RMB11 billion and RMB13 billion for years ended 31 December 2019, 2020 and 2021 respectively. As discussed with the Company, the above transacted property values were mainly generated through the joint agency arrangements with the Poly Consultancy Group in selling real estate properties of Poly Developments. Pursuant to the Agreement, the Group would be entitled to either act as a sole agent or a joint agent with another agent (subject to Poly Developments) for selling the properties with saleable property value of not less than RMB80 billion (subject to the amount of the actual value to be agreed in the relevant sales agency contract between Poly Developments or its designated subsidiary and Hopefluent China or its designated members of the Group) every 12 months for five years. In respect of the Property Agency Transactions, Poly Developments may engage either (i) Hopefluent Parties as the sole agent or (ii) Hopefluent Parties and another agent as joint agents for selling the properties of real estate development projects of Poly Developments. The type of real estate development projects of Poly Developments in relation to the Property Agency Transactions will mainly be residential.

For illustration of the possible quantitative impacts of the Property Agency Transactions to the Group, we assume the proportion of the property value of RMB80 billion the Group would be entitled to either act as a sole agent or a joint agent with another agent for every 12 months up to five years after the Effective Date as it is subject to Poly Developments. Assuming (i) the Group would act as a sole agent for 100% of the property value ("**Scenario 1**"); (ii) the Group would act as a sole agent for 50% of the property value and as a joint agent with another agent for the remaining 50% of the property value, whereas the Group would share the commission with the other agent by half ("**Scenario 2**"); and (iii) the Group would act as a joint agent with another agent for the total 100% of the property value, whereas the Group would share the commission with the other agent by half ("**Scenario 3**"). The calculations of total property value that the Group will be entitled to take charge under each of the Scenario 1, Scenario 2 and Scenario 3 for every 12 months up to five years after the Effective Date are as follows:

	Scenario 1 *(RMB billion)*	**Scenario 2** *(RMB billion)*	**Scenario 3** *(RMB billion)*
Property value	80	80	80
The property value that the Group will be entitled to take charge when:			
— acted as a sole agent	80	40	0
— acted as a joint agent	0	20	40
Total	80	60	40

Based on the above, the property value which the Group would be entitled to take charge under Scenario 1, 2 and 3 are RMB80 billion, RMB60 billion and RMB40 billion respectively. The property value that the Group would be entitled to take charge under the above 3 scenarios are higher than the historical property values transacted from provision of real estate agency services to Poly Developments. In consideration of (i) the expected overall increase in property value undertaken by Poly Developments for the next five years; and (ii) the chances for Hopefluent Parties becoming the sole agent for selling the properties of real estate development projects of Poly Developments under the Property Agency Transactions, whereas Hopefluent Parties acting as sole agent would be entitled to the whole real estate agency fee, the Group is expected to record an increase in revenue generated from Poly Developments in the next five years after the Effective Date.

To further assess the impact of the Property Agency Transactions to the Group's financial performance, we have obtained the list of real estate agency fee (the "**List of Real Estate Agency Fee**") for selling first-hand properties projects offered by other stated-owned property developers with background similar to that of Poly Developments (the "**Similar Property Developers**") and understand that the real estate agency fee offered by the Similar Property Developers for the three years ended 31 December 2021 mainly ranged from 0.5% to 1.2%. The real estate agency fee mainly depends on numerous factors including size, location and grading of property projects. In view of the abovementioned real estate agency fee mainly ranging from 0.5% to 1.2%, we analysed the possible financial impact to the Group by adopting (i) the real estate agency fee of 0.5%, 0.9% (i.e. being the mid-point of the range) and 1.2%; and (ii) the operating profit margin of 8%, being the segment profit margin of the property real estate agency of the Company for the year ended 31 December 2020.

Based on the real estate agency fee of 0.5%, the estimated revenue under Scenario 1, Scenario 2 and Scenario 3 over the term of the Property Agency Transactions of five years are approximately RMB2,000 million, RMB1,500 million and RMB1,000 million respectively, whereas the estimated operating profit during the term of the Property Agency Transactions of five years under Scenario 1, Scenario 2 and Scenario 3 would be approximately RMB160 million, RMB120 million and RMB80 million respectively.

Based on the real estate agency fee of 0.9%, the estimated revenue under Scenario 1, Scenario 2 and Scenario 3 over the term of the Property Agency Transactions of five years are approximately RMB3,600 million, RMB2,700 million and RMB1,800 million respectively, whereas the estimated operating profit during the term of the Property Agency Transactions of five years under Scenario 1, Scenario 2 and Scenario 3 would be approximately RMB288 million, RMB216 million and RMB144 million respectively.

Based on the real estate agency fee of 1.2%, the estimated revenue under Scenario 1, Scenario 2 and Scenario 3 over the term of the Property Agency Transactions of five years are approximately RMB4,800 million, RMB3,600 million and RMB2,400 million respectively, whereas the estimated operating profit during the term of the Property Agency Transactions of five years under Scenario 1, Scenario 2 and Scenario 3 would be approximately RMB384 million, RMB288 million and RMB192 million respectively.

Independent Shareholders are reminded that the above estimated financial impacts are for illustration only and the actual impacts would be subject to (i) Poly Developments in deciding the proportion of sole agent and joint agents; (ii) the percentage of commission to be shared with another joint agent; (iii) the amount of the actual value to be agreed in the relevant real estate agency contract between Poly Developments or its designated subsidiary and Hopefluent China or its designated members of the Group; (iv) the real estate agency fee of the Property Agency Transactions; (v) the operating profit margin of the Property Agency Transactions; and (vi) the market demand for property projects of Poly Developments under Property Agency Transactions.

5. Principal terms of the Property Agency Transactions

Poly Developments is committed to the Hopefluent Parties that, Poly Developments will enter into first-hand agency business contracts with the Hopefluent Parties or its designated members of the Group for real estate development projects of Poly Developments with a saleable property value of not less than RMB80 billion (subject to the amount of the actual value to be agreed in the relevant sales agency contract between Poly Developments or its designated subsidiary and Hopefluent Parties or its designated members of the Group) every 12 months for five years commencing from the Effective Date. In respect of the Property Agency Transactions, Poly Developments may engage either (i) Hopefluent Parties as the sole agent or (ii) Hopefluent Parties and another agent as joint agents for selling the properties of real estate development projects of Poly Developments. The type of real estate development projects of Poly Developments in relation to the Property Agency Transactions will mainly be residential.

Real estate agency fee

If the Poly Parties engage the property agent(s) for the Property Agency Transactions, the agency fee specified in the project agency invitation issued by the Poly Parties shall not be lower than the current market practices in the region or the mainstream business terms of other agents engaged by Poly Developments.

The fees for real estate agency services to be provided to Poly Developments by Hopefluent China Group after completion of the Proposed Restructuring will be charged on the basis of the size, location and grading of property projects and such agency fee would be on normal commercial terms and in line with the market rate.

The Hopefluent Parties and the Poly Parties agree that for the purpose of awarding the Property Agency Transactions, Hopefluent Parties shall comply with the regulatory requirements applicable to state-owned enterprises to which Poly Parties are subject to and the tender and engagement procedures of specific development project sales agencies.

Analysis of the major terms of the Property Agency Transactions

In respect of the arrangement of the Property Agency Transactions, it is common for the Group to enter into agency contract with other independent third party developers to act as either sole agent or joint agent with other agent for selling first-hand properties.

In respect of the real estate agency fee, taking into account that (i) the real estate agency fee for acting as a sole agent by the Group shall not be lower than the current market practices in the same region; (ii) the real estate agency fee for acting as a joint agent by the Group shall not be lower than the fee offered to other agent in the same project; and (iii) the Group will receive project agency invitation with revised real estate agency fee which shall not be lower than the fee offered to other agent, we are of the view that the real estate agency fee mechanism is fair and reasonable.

To further understand whether the real estate agency fee of the Group's historical transaction with Poly Developments was in line with the market rate, we understand from the Group that the historical fees for real estate agency services payable by Poly Developments to the Group were negotiated on an arm's length basis and determined with reference to the fees payable by independent third parties for similar property projects, in terms of size, location and grading of property projects. On the other hand, the Group will continue to adopt the same practice in determining the fee for real estate agency services under the Property Agency Transactions. Moreover, we have reviewed the List of Real Estate Agency fee which contains the average real estate agency fee rate payable by Poly Developments and the Similar Property Developers for the three years ended 31 December 2021. The average real estate agency fee rate payable by developers equals revenue derived from the provision of real estate agency services by the Group to the developers divided by the respective total value of new properties sold. Based on our review, we observed that the average real estate agency fee offered by Poly Developments for the three years ended 31 December 2021 was comparable to the average rate offered by the Similar Property Developers for the past three years. Taking into account that the historical real estate agency fee offered by Poly Developments was comparable to those offered by the Similar Property Developers while the Group will continue to follow the same practice as historically adopted in determining the fee for real estate agency services under the Property Agency Transactions, we consider that the real estate agency fee to be determined under the Property Agency Transactions in accordance with the abovementioned real estate agency fee mechanism would be fair and reasonable.

6. Financial effect of the Proposed Restructuring

Upon completion of the Proposed Restructuring, Hopefluent China will become an indirectly wholly-owned subsidiary of the Company and members of the Poly Consultancy Group will cease to be subsidiaries of the Company.

With reference to the unaudited pro forma financial information on the Group upon Completion of the Proposed Restructuring, it is assumed that the Proposed Restructuring had been completed on 31 December 2021.

Net asset value

Upon completion of the Proposed Restructuring, the Group's net assets value attributable to owners of the Company as at 31 December 2021 is expected to be approximately HK$2,733 million in comparison with the Group's net assets value attributable to owners of the Company as at 31 December 2021 of approximately HK$2,947 million. The decrease in net assets value attributable to owners of the Company is mainly due to (i) the deconsolidation of assets and liabilities of the Poly Consultancy Group; and (ii) the Goodwill Impairment of approximately HK$206 million.

Working capital

The Group had net current assets and cash and cash equivalents of approximately HK$3,269 million and HK$1,721 million as at 31 December 2021 respectively. Upon completion of the Proposed Restructuring, the Group would have recorded net current assets and cash and cash equivalents of approximately HK$2,316 million and HK$830 million as at 31 December 2021 respectively, due to the deconsolidation of current assets and current liabilities of the Poly Consultancy Group.

Earnings

The Group recorded revenue and net loss attributable to owners of the Company of approximately HK$7,166 million and HK$545 million for the year ended 31 December 2021 respectively. With reference to the unaudited pro forma financial information on the Group upon Completion of the Proposed Restructuring, the Group would record revenue and net loss attributable to owners of the Company of approximately HK$2,750 million and HK$864 million respectively. The increase in the net loss attributable to owners of the Company is mainly due to (i) the deconsolidation of financial performance of the Poly Consultancy Group; and (ii) the Goodwill Impairment.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial result and the financial position of the Group will be upon completion of the Proposed Restructuring.

In view of the above potential financial effects, the Proposed Restructuring may result in one-off negative impacts on the financial performance and position of the Group. However, we are of the view that (i) the Proposed Restructuring has no adverse impact on the cashflows of the Group, whereas the loss on disposal is merely the accounting treatment of the Proposed Restructuring; (ii) the 2018 Cooperation Restructuring and the Proposed Restructuring are not typical acquisition/disposal and they represent different forms of cooperation and the financial impacts stated above may not capture every aspects or merits of Proposed Restructuring; (iii) the release of the Non-Compete Undertaking would provide flexibility to the Group to determine its own real estate agency business model and change its business strategies swiftly according to its business needs and market evolvements, thereby enhancing the core competitiveness of the Hopefluent China Group; and (iv) the Property Agency Transactions are expected to bring additional revenue to the Group taking into account the saleable property value of not less than RMB80 billion every 12 months for next five years undertaken by Poly Developments. Hence, we are of the view that the Proposed Restructuring is in the interest of the Group in long term perspective.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the entering into the Agreement, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder, including the Proposed Restructuring and the Property Agency Transactions.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Louis Chan
Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hopefluent.com):

- annual report of the Company for the year ended 31 December 2019 published on 23 April 2020 (pages 46 to 133):
  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042301234.pdf

- annual report of the Company for the year ended 31 December 2020 published on 22 April 2021 (pages 46 to 129):
  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200417.pdf

- annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (pages 52 to 123):
  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042702066.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total indebtedness of approximately HK$750 million, which comprised the following:

(i) bank borrowings of approximately HK$127 million, comprising secured bank borrowings of approximately HK$88 million and unsecured bank borrowings of approximately HK$39 million. The secured bank borrowings were secured by the Group's property, plant and equipment;

(ii) other borrowings of approximately HK$370 million, comprising guaranteed other borrowings of approximately HK$357 million, and unguaranteed other borrowings of approximately HK$13 million; and

(iii) lease liabilities of approximately HK$253 million relating to premises leased by the Group as lessee.

As at 31 March 2022, the Group had no material contingent liabilities outstanding.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 March 2022, being the latest practicable date for determining indebtedness, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities, nor any authorised or otherwise created but unissued debt securities.

The Directors were not aware of any material change in the indebtedness and contingent liability position of the Group since 31 March 2022 and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful enquiry and taking into consideration the financial resources available to the Group, including banking facilities and other internal resources, are of the opinion that the Group will have sufficient working capital for at least the next 12 months commencing from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the provision of primary and secondary real estate agency services and financial services in the PRC.

Upon completion of the Proposed Restructuring, the Group will continue to principally engage in the provision of primary and secondary real estate agency services and financial services in the PRC.

In 2021, the property market in mainland China underwent a dramatic change, with in-depth adjustments, particularly in the second half of the year, bringing an end to the industry's "three highs" model of high debt, high leverage and high turnover. The continuous and rapid shift of related policies led to a sharp deterioration in the market environment, with a number of property enterprises suffering from a lack of liquidity, defaulting on their debts successively, and delaying payments to suppliers and different sectors of the operation becoming commonplace.

Despite the difficult market environment and the various constraints on its business operations in the previous year, the Group was able to withstand different pressures and see a ray of hope ahead. Leveraging its years of operating experience, the Group made steady breakthroughs with major projects in key regions, essentially safeguarding performance and revenue sources of the Company. With the aim of ensuring stable revenue, the Group will continue to develop its business in key regions such as the Guangdong-Hong Kong-Macao Bay Area and the Yangtze River Delta. In the face of the complex and volatile market environment, the Group will also actively seek better ways to respond to market demand and develop better services.

Looking forward, the Group will continue to uphold its prudent and pragmatic approach, "keep a low profile and work hard on improving its innate strengths", striving to generate long-term and sustainable returns for its shareholders.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group's operations for the financial years ended 31 December 2019, 2020 and 2021 as extracted from the annual reports of the Company for the financial years ended 31 December 2019, 2020 and 2021. Capitalised terms used in this section shall have the same meaning as those defined in the respective annual report. These extracted materials below were prepared prior to the date of this circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report was issued.

For the year ended 31 December 2019 and 2020

Business Review

Market review for the Year 2019 and 2020

In 2019, the increased economic downward pressure and the effects of the Sino-US trade war on the economy and industries in China continued to be clearly visible. To stabilise the property market in the short, medium and long-term, the central government and local governments had a clearer division and coordination of works in the implementation of austerity measures in the property market. With the stress on "houses are for living in, not for speculation" throughout the year, the central government continued to strengthen its management and control measures on the property and financial markets, and further shifted the focus of property market stability policy on a "different cities, different places, different policies" approach. As a result, local governments were more flexible in the implementation of austerity measures. Some policies in relation to the restriction on transactions in the property market were adjusted. However, due to rapid changes of the economic conditions, the transactions in the market were weaker when compared with previous years and the property market faced greater pressure on both capital and operations.

In 2020, the property market showed a slight decline in the first half due to the impact of the COVID-19 outbreak, but the market gradually recovered and stabilized afterwards. China's Government continued to implement austerity measures that targeted the property industry and emphasized its policy stance of "houses are for living in, not for speculation" even as it also made its strategy of "adopting different policies in different cities" more flexible. In the first half, local governments introduced property market-related support policies to alleviate disruptions to the industry that were brought about by the COVID-19 prevention and control measures. With the national macroeconomic conditions and the property market in key cities becoming increasingly stable since the second half, the country's liquidity policy gradually returned to normal and the "leverage stabilization" concept was proposed to strengthen fund management and control of the property industry. The Chinese Government has also changed the approach of its "different cities, different places, different policies" strategy from "unanimous relaxation" back to "optimal elasticity", resulting in greater divergence in policies among different regions. Some cities (mainly first- and second-tier) have also reinforced their "restrictive measures".

Overall business review

With the help of a professional sales team and drawing on the Group's extensive operation experience and with its vast business network and internet integration strategy, Hopefluent continued to see healthy business growth during the year under review.

During the year ended 31 December 2020, the Group generated turnover of HK$6,193 million, representing an increase of approximately 2% as compared to last year (2019: HK$6,076 million). Profit attributable to shareholders amounted to HK$184 million, 62% lower than that of last year and 27% lower than the profit from continuing operations of last year (2019: HK$484 million, including profit from continuing operations of HK$252 million and profit from discontinued operations of HK$232 million).

In 2020, the Group recorded turnover from its property real estate agency services business of HK$5,994 million, accounting for 97% of its total turnover. Turnover from the financial services business was approximately HK$199 million, accounting for 3% of the Group's total turnover. By region, Guangzhou accounted for approximately 36% of the Group's total turnover, while around 64% came from business outside Guangzhou. Total new home sales in 2020 was HK$560 billion from the handling of about 383,000 transactions. Total gross floor area sold was about 34.8 million square meters.

1. *Seamless integration of property real estate agency services business and the internet continued to promote online and offline dual development*

The development model in the industry has been changing at a faster pace in recent years. The "pandemic economy" has accelerated the emergence of the "online property sales model" and the "online supporting offline property sales" model has become the mainstream trend. Keeping abreast of the times, the Group has invested resources to upgrade the technology of its online platforms and drive business development even as it also deepened its interaction and cooperation with major emerging internet media to continue promoting the online and offline dual operation model and further expanded its property real estate agency services business. For example, customers could view property units and even ask about trading details of properties online via the Group's home-buying platform "AI house tour (AI看房)". The Group would also organize property linkage live broadcast activities irregularly to present more effectively its diversified products to customers and maintain customer base. The online platform operation not only enabled the Group to provide attentive and convenient services to customers, but it also allowed the Group to make effective resources deployment. During the year under review, turnover from the property real estate agency services business amounted to HK$5,994 million, representing an increase of 2% as compared to last year (2019: HK$5,861 million).

During the year ended 31 December 2020, Hopefluent's property real estate agency services business network covered more than 200 cities in China and the Group was the agent of over 2,000 projects. There were around 360 branches engaged in running the secondary property real estate agency services business. The Group's expanded service scope and business scale have helped it attract target customers, enhance profit stability in the long run and move forward in a highly-competitive and uncertain operation environment.

2. *The financial services business focused on meeting quality financing needs as it aims to expand the customer base and deepen asset management*

The development of financial services has promoted and deepened in various industries. Over the years, the Group has strived to develop its property-related financial services business and it actively responded to the strong financing demand from the market and from customers. During the year, the Group focused on providing targeted property financial services and products to property enterprises and high net worth individuals with strong investment and financing demand. This has enabled the Group to explore opportunities despite a volatile market with its prudent audit procedures and also to screen privileged customers and provide them with superior asset management services. The Group could also expand its business scale in terms of depth and breadth, and promote and grow its financial services business in an orderly manner and in compliance with the Central Government's related financial policies so as to make the business the Group's principal growth driver.

During the year under review, the total transaction value of the Group's financial services business amounted to HK$3.2 billion. Turnover was approximately HK$199 million (2019: HK$215 million).

Liquidity and financial resources

As at 31 December 2020, 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$2,877.0 million (31 December 2019: HK$2,163.4 million) and 2.65 (31 December 2019: 2.94) respectively. Total borrowings amounted to approximately HK$505 million which are secured bank loan and other borrowings (31 December 2019: 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 6.8% (31 December 2019: 8.1%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 31 December 2020.

Pledge of assets

As at 31 December 2019, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK$44 million to banks to secure bank and other borrowings of the Group.

As at 31 December 2020, the Group pledged its investment properties with an aggregate amount of approximately HK$12 million to banks to secure bank borrowings of the Group.

Foreign exchange exposure

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

Employees

As at 31 December 2020, the Group had approximately 22,400 full time employees (31 December 2019: 23,000). Around 8 staffs were based in Hong Kong and the rest were employed in China. 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.

For the year ended 31 December 2021

Business Review

Market review for the Year 2021

2021 was a turbulent year for the property market in China. During the year, the country tightened various control measures and intensified deleveraging and liability reduction efforts, implementing policies such as ''pre-sale proceeds supervision'', ''purchase restriction'', ''credit restriction'', ''price restriction'' and ''guidance on secondary property transaction prices''. The continuous and rapid shift in policy posed severe challenges to the industry in terms of financing and repayment, and a number of property enterprises are facing defaults on debts, further affecting market confidence. Under the influence of a series of policies, the ''three highs'' development model of high debt, high leverage and high turnover in the property industry came to an end, and the market environment deteriorated sharply in the second half of the year. With property buyers worried about the market outlook, developers' sales returns have slumped and government revenue from land transactions dropped across the board, affecting all parties involved in the market. As the Group is principally engaged in the property real estate agency services business, the Group's annual results were inevitably severely affected as a large number of our partners, being major developers, experienced operating difficulties and it became much more difficult for the Group to obtain commissions.

Business Review of the Group

For the year ended 31 December 2021, the Group generated turnover of HK$7,166 million, representing an increase of approximately 16% over the same period last year (2020: HK$6,193 million). Loss attributable to shareholders amounted to HK$545 million (2020: profit attributable to shareholders: HK$184 million).

In 2021, the Group recorded turnover of HK$6,986 million from its property real estate agency services business, accounting for 97% of the Group's total turnover. Turnover from the financial services business was approximately HK$180 million, accounting for 3% of the Group's total turnover. Total new home sales in 2021 amounted to approximately HK$608 billion, resulting from the completion of around 377,000 transactions with a total gross floor area of around 33 million square meters.

1. Property real estate agency services business

Turnover of the Group's property real estate agency services business increased from HK$5,994 million in 2020 to HK$6,986 million in 2021, representing an increase of 17%. The growth was mainly attributable to entrusting of the marketing coordination for some of their projects to subsidiaries of the Group by certain developers in order to accelerate sales. However, the Group had to incur substantial external staff costs in linking various marketing and sales channels. Therefore, this business model could not improve the Group's profitability in the harsh market environment, resulting in an operating loss in the property real estate agency services business. The deterioration in the credit quality of certain developers also hindered the collection of the Group's receivables.

Since the implementation of the "three red lines" policy and the continued tightening of austerity measures, a number of property enterprises in China have experienced financial difficulties and insufficient cash flow. The debt crisis of the subsidiaries of these enterprises has spread to all levels of society. Issues such as the overdue payments associated with wealth management products of the subsidiaries of those enterprises, the suspension of construction works and the delayed delivery of large numbers of units have had a significant impact on the overall economy of China. As a result of the deterioration in credit quality of certain property developer customers in the fourth quarter of 2021, the Group made additional provision for expected credit losses ("ECLs") on outstanding accounts receivable, which affected the Group's overall performance. Therefore, an increase of HK$306 million was recorded in the provision for ECLs on accounts receivable for the year ended 31 December 2021.

In the face of the sporadic outbreaks of the pandemic and the weakening operating environment of the industry, the Group made certain preparations in advance and adopted an online and offline two-pronged development model to broaden its income sources. However, the Group recorded a loss for the year due to poor market conditions and the unstable market environment. Currently, the Group's property real estate agency services business has a network that covers more than 200 cities in China, with more than 2,100 agency projects and approximately 310 secondary branches.

2. Financial services business

As the macroeconomic environment was constrained by a number of factors, which were felt especially hard in the mainland property market, the Group's financial services business was inevitably affected and recorded a weaker performance than the same period last year. In view of the challenges, the Group has taken measures timely to streamline its structure and reduce costs, and has closely market changes to adjust the positioning and strategic focus of its financial services. In addition, with risk control being a priority, the Group has leveraged its diversified product portfolio to respond to different customer needs.

As a result of the deterioration in the credit quality of certain customers engaged in property related services in the fourth quarter of 2021, the Group made additional provision for expected credit losses (''ECLs'') on outstanding loan receivables, which affected the Group's overall performance. Therefore, an increase of HK$152 million was recorded in the provision for ECLs on loan receivables for the year ended 31 December 2021.

During the year under review, the total transaction value of the Group's financial services business amounted to HK$2.5 billion. Turnover was approximately HK$180 million (2020: HK$199 million).

Prospects for 2022

Mindful of the increasing importance of maintaining economic stability, the Chinese government's regulatory mindset has gradually shifted, placing more emphasis on the positive impact of ''market stability'' on society. In March 2022, the mainland government clearly stated its plan to ''support the commercial housing market to better meet the reasonable needs of buyers and adopt city-specific policies to promote the virtuous circle and healthy development of the property industry''. Since the end of 2021, the overly tight financial and local control measures have been gradually adjusted and amended. The central bank also announced interest rate cuts to stabilize the market, which has undoubtedly eased the downward pressure on the industry and helped rebuild market confidence.

As a result of these policies, market confidence has gradually recovered and sales in some cities have already picked up. The Group believes that its business will continue to face challenges going forward, but the ongoing urbanization process and growth in demand for housing improvement can broaden the demand for real estate. At present, the Group is closely monitoring market changes and pressing ahead with its online and offline dual development model which has proven worthy of its R&D efforts and investment, and is focusing on maintaining solid relationships with strong property developers in the market. With the aim of ensuring stable revenue, the Group will continue to develop its business in key regions such as the Guangdong-Hong Kong-Macao Bay Area and the Yangtze River Delta. In the face of the complex and volatile market environment, the Group will also actively seek better ways to respond to market demand and develop better services. Looking ahead, the Group will continue to uphold its prudent and pragmatic approach, ''keep a low profile and work hard on improving its innate strengths'', striving to generate long-term and sustainable returns for its shareholders.

Liquidity and financial resources

As at 31 December 2021, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK$1,721 million (31 December 2020: HK$2,877 million) and 2.32 (31 December 2020: 2.65) respectively. Total borrowings amounted to approximately HK$516 million which are secured and unsecured bank loan and other borrowings (31 December 2020: approximately HK$505 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 7.4% (31 December 2020: 6.8%). The Group's borrowings and its cash and cash equivalents are mainly denominated in Renminbi. The Group had no material contingent liabilities as at 31 December 2021.

As at 31 December 2021, all of the total borrowings of the Group were on fixed interest rate basis ranging from approximately 5% to approximately 15% per annum.

As at 31 December 2021, the maturity profile of the bank borrowings of HK$516 million is spread with HK$327 million repayable within one year and HK$189 million repayable in the one to third years.

As for the treasury policies, the Group adopted prudent treasury policies in managing cash resources and borrowings and its objectives are to ensure that entities within the Group will be able to operate on a going concern while maximising the return to shareholders through optimisation of the debt and equity balance.

Pledge of assets

As at 31 December 2021, the Group pledged its investment properties and bank deposits with an aggregate amount of approximately HK$35 million to banks to secure bank borrowings of the Group.

Foreign exchange exposure

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

The Group did not have a foreign currency hedging policy. However, the Remaining Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Employees

As at 31 December 2021, the Group had approximately 19,300 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.

Significant Acquisitions and Disposals of Investments

The Group did not acquire or dispose of any significant investments or properties, nor did the Group carry out any material acquisitions or disposals of the Company's subsidiaries and associates during the financial year ended 31 December 2021.

*Set out below are the financial information of Poly Real Estate Investment Consultancy Co., Ltd. (the "**Disposal Company**") and its subsidiaries (together, the "**Disposal Group**") which comprises the unaudited consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and the unaudited consolidated statements of profit or loss and other comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows for each of the years then ended and explanatory notes ("**Unaudited Financial Information**"). The Unaudited Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certificated Public Accountants. Based on their review, nothing has come to their attention that cause them to believe that the Unaudited Financial Information of the Disposal Group is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Unaudited Financial Information of the Disposal Group:*

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2019, 2020 and 2021

	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	4,496,736	3,142,326	2,518,825
Other income	19,385	15,250	10,081
Change in fair value on investment properties	108	1,716	(183)
Selling expenses	(4,342,857)	(2,783,386)	(1,962,914)
Administrative expenses	(279,668)	(203,776)	(218,132)
Other gains and losses	(15)	(933)	(23)
Loss allowance reversed/(recognized) on financial assets	11,194	(4,817)	(5,554)
Share of results of associates	13,735	9,697	5,972
Finance costs	(5,509)	(1,449)	(1,469)
(Loss)/profit before tax	(86,891)	174,628	346,603
Income tax expense	(13,170)	(28,788)	(90,355)
(Loss)/profit for the year	(100,061)	145,840	256,248
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency	25,696	67,087	(27,094)
Share of other comprehensive income/(expense) of associates	3,129	1,132	(409)
	28,825	68,219	(27,503)
Total comprehensive (expense)/income for the year	(71,236)	214,059	228,745
(Loss)/profit for the year attributable to:			
— Owners of the Disposal Company	(153,726)	104,930	217,522
— Non-controlling interests	53,665	40,910	38,726
	(100,061)	145,840	256,248
Total comprehensive (expense)/income for the year attributable to:			
— Owners of the Disposal Company	(121,449)	178,599	191,074
— Non-controlling interests	50,213	35,460	37,671
	(71,236)	214,059	228,745

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019, 2020 and 2021

	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Investment properties	20,592	19,702	16,833
Property, plant, equipment	58,029	34,808	40,052
Right-of-use assets	135,985	48,945	49,012
Interests in associates	37,927	23,711	12,882
Other receivables	4,748	3,438	1,655
Deferred tax assets	23,362	21,871	33,890
	280,643	152,475	154,324
CURRENT ASSETS			
Accounts receivable	299,019	162,422	104,612
Security deposits	1,390,391	418,248	418,657
Other receivables, deposits and prepayments	81,792	93,487	37,364
Amounts due from associates	—	82	64
Bank balances and cash	885,785	1,989,926	1,286,277
	2,656,987	2,664,165	1,846,974
CURRENT LIABILITIES			
Payables and accruals	833,347	460,703	415,191
Contract liabilities	790,758	1,052,975	460,185
Lease liabilities	67,068	42,836	43,955
Tax liabilities	17,573	25,400	66,761
	1,708,746	1,581,914	986,092
NET CURRENT ASSET	948,241	1,082,251	860,882
TOTAL ASSETS LESS CURRENT LIABILITIES	1,228,884	1,234,726	1,015,206
NON-CURRENT LIABILITY			
Lease liabilities	67,562	3,614	3,702
CAPITAL AND RESERVES			
Share capital	61,588	61,588	61,588
Share premium and reserves	941,779	1,063,228	884,629
Equity attributable to owners of the Disposal Company	1,003,367	1,124,816	946,217
Non-controlling interests	157,955	106,296	65,287
TOTAL EQUITY	1,161,322	1,231,112	1,011,504
	1,228,884	1,234,726	1,015,206

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

For the years ended 31 December 2019, 2020 and 2021

	Attributable to owners the Company						
	Share capital	Statutory surplus reserve	Translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	61,588	30,343	(42,498)	705,710	755,143	53,441	808,584
Other comprehensive income for the year	—	—	(26,448)	—	(26,448)	(1,055)	(27,503)
Profit for the year	—	—	—	217,522	217,522	38,726	256,248
Total comprehensive income for the year	—	—	(26,448)	217,522	191,074	37,671	228,745
Dividends paid	—	—	—	—	—	(36,229)	(36,229)
Capital contributed from non-controlling interests	—	—	—	—	—	10,404	10,404
At 31 December 2019 and 1 January 2020	61,588	30,343	(68,946)	923,232	946,217	65,287	1,011,504
Other comprehensive income for the year	—	—	73,669	—	73,669	(5,450)	68,219
Profit for the year	—	—	—	104,930	104,930	40,910	145,840
Total comprehensive income for the year	—	—	73,669	104,930	178,599	35,460	214,059
Capital contributed from non-controlling interests	—	—	—	—	—	5,549	5,549
At 31 December 2020 and 1 January 2021	61,588	30,343	4,723	1,028,162	1,124,816	106,296	1,231,112
Other comprehensive income for the year	—	—	32,277	—	32,277	(3,452)	28,825
(Loss)/profit for the year	—	—	—	(153,726)	(153,726)	53,665	(100,061)
Total comprehensive income for the year	—	—	32,277	(153,726)	(121,449)	50,213	(71,236)
Capital contributed from non-controlling interests	—	—	—	—	—	1,446	1,446
At 31 December 2021	61,588	30,343	37,000	874,436	1,003,367	157,955	1,161,322

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2019, 2020 and 2021

	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax	(86,891)	174,628	346,603
Adjustments for:			
Depreciation of property, plant and equipment	13,777	10,643	10,583
Depreciation of right-of-use assets	23,826	12,418	11,628
Reversal/(provision) of allowances on accounts receivable	11,194	(4,817)	(5,554)
Finance costs	5,509	1,449	1,469
Share of results of associates	(16,864)	(10,829)	(5,623)
Change in fair value of investment properties	(108)	(1,716)	183
Loss on disposal and write-off of property, plant and equipment	459	25	59
Operating cash flows before movements in working capital	(49,098)	181,801	359,348
(Increase)/decrease in accounts receivable	(149,531)	(44,671)	18,606
(Increase)/decrease in security deposits	(983,855)	27,017	(252,911)
Decrease/(increase) in other receivables and prepayment	10,510	(53,751)	65,956
Increase in accruals and payables	318,264	155,720	110,635
(Decrease)/increase in contract liabilities	(206,506)	440,474	242,495
Decrease/(increase) in amounts due from associates	83	(18)	(48)
Cash (used in)/generated from operations	(1,060,133)	706,572	544,081
PRC income tax paid	(22,009)	(59,001)	(120,447)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,082,142)	647,571	423,634

	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	—	2,202	701
Dividends received from an associate	2,648	—	2,238
Purchase of investment properties	(4,531)	—	—
Purchase of property, plant and equipment	(33,266)	(5,231)	(14,543)
NET CASH USED IN INVESTING ACTIVITIES	(35,149)	(3,029)	(11,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling equity holder	1,446	5,549	10,404
Payment of lease liabilities	(28,148)	(14,889)	(14,483)
Dividends paid	—	—	(36,229)
NET CASH USED IN FINANCING ACTIVITIES	(26,702)	(9,340)	(40,308)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,143,993)	635,202	371,722
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,989,926	1,286,277	949,830
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	39,852	68,447	(35,275)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Represented by bank balances and cash	885,785	1,989,926	1,286,277

NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

1. GENERAL INFORMATION

On 31 March 2022, Hopefluent Group Holdings Limited (the "**Company**") entered into a conditional shareholder cooperation adjustment agreement (the "**Agreement**") with Poly Developments and Holdings Group Co., Ltd.* (the "**Purchaser**"), a company established under the laws of the PRC and whose shares are listed on the Shanghai Stock Exchange (Stock code: 600048). 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, as at 31 March 2022. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of Poly Real Estate Investment Consultancy Co., Ltd.* (the "**Disposal Company**") 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 the Disposal Group will cease to be subsidiaries of the Company.

The Disposal Company's registered office and the principal place of business activities is located at Room 4501 to 4610 Zhuhai Yuejiang Road 832 Haizhu District, Guangzhou. The principal activities of the Disposal Company and its subsidiaries (the "**Disposal Group**") were provision of real estate agency services.

The functional currency of the Disposal Group is Renminbi ("**RMB**"). As the presentation currency of the Company is Hong Kong dollars, the directors of the Company consider it will be more appropriate to adopt Hong Kong dollars as the Disposal Group's presentation currency.

As at 31 December 2021, the particular of the principal subsidiaries of the Disposal Group are set out below:

Name of subsidiary	Place of incorporation/ establishment	Class of share held	Issued and paid up/ registered capital/ share capital	Attributable equity interest			Principal activity	Place of operation
				2019	*2020*	*2021*		
				%	%	%		
Sichuan Baogu Real Properties Consultancy Limited*	The PRC *(note a)*	Registered	RMB10,000,000	100%	100%	100%	Provision of real estate agency services	The PRC
Tibet Ying Kai Real Properties Consultancy Limited*	The PRC *(note a)*	Registered	RMB1,000,000	100%	100%	100%	Provision of real estate agency services	The PRC
Tibet Poly Aijia Real Properties Brokerage Limited* ("**Tibet Poly Aijia**") *(note b)*	The PRC *(note a)*	Registered	RMB100,000,000	40%	40%	40%	Provision of real estate agency services	The PRC
Poly (Chongqing) Real Properties Information Consultancy Limited*	The PRC *(note a)*	Registered	RMB1,000,000	—	100%	100%	Provision of real estate agency services	The PRC
Hangzhou Baogu Real Properties Consultancy Limited*	The PRC *(note a)*	Registered	RMB5,000,000	—	100%	100%	Provision of real estate agency services	The PRC
Guangzhou Juheng Information Technology Limited*	The PRC *(note a)*	Registered	RMB3,000,000	—	100%	100%	Provision of real estate agency services	The PRC
Zhuhai Baogu Real Estate Consulting Co., Ltd*	The PRC *(note a)*	Registered	RMB5,000,000	—	—	100%	Provision of real estate agency services	The PRC
Zhuhai Hengqin Fangxiaobao Information Technology Co., Ltd.*	The PRC *(note a)*	Registered	RMB3,000,000	—	—	100%	Provision of real estate agency services	The PRC

Notes:

(a) All PRC subsidiaries are corporations with limited liability.

(b) Despite holding only 40% equity interest in according to the articles of association of Tibet Poly Aijia, all parties contractually agreed all board decisions rest on the sole discretion of the Disposal Company, therefore giving the Disposal Company control over Tibet Poly Aijia. Tibet Poly Aijia was accounted for as subsidiary of the Disposal Company during the Track Record Period.

* The English name is for identification purposes only.

2. BASIS OF PREPARATION

The Unaudited Financial Information for the years ended 31 December 2019, 2020 and 2021 (the "**Relevant Periods**") (the "**Unaudited Financial Information**") has been prepared in accordance with paragraph 68(9)(2)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Unaudited Financial Information has been prepared and measured at the carrying amount of the entities comprising the Disposal Group reflected in the consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the Relevant Periods. All material intra-group transactions and balances have been eliminated when preparing the Unaudited Financial Information.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standards 1 (Revised) "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting", issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

3. RELATED PARTY TRANSACTIONS

(a) The Disposal Group had carried out the following transactions with the related parties during the years:

	Year ended 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Remaining Group			
Revenue	24,000	23,936	16,346
Agency expense and other expense	56,415	69,498	82,338

(b) Year end balances with related parties are as follows:

	As at 31 December		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Due from Remaining Group	17,321	36,925	2,743

As at 31 December 2019, 2020 and 2021, these balance were non-trade in nature, unsecured, interest-free and repayable on demand.

These balance have been included in other receivables in the unaudited consolidated statements of financial position.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

On 31 March 2022, Hopefluent Group Holdings Limited (the "**Company**") entered into a conditional shareholder cooperation adjustment agreement (the "**Agreement**") with Poly Developments and Holdings Group Co., Ltd.* (the "**Purchaser**"), a company established under the laws of the PRC and whose shares are listed on the Shanghai Stock Exchange (Stock code: 600048). 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, as at 31 March 2022. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of Poly Real Estate Investment Consultancy Co., Ltd.* (the "**Disposal Company**") 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 the Disposal Group will cease to be subsidiaries of the Company.

The unaudited pro forma financial information of the Remaining Group (the "**Unaudited Pro Forma Financial Information**") presented below is prepared to illustrate (a) the consolidated financial position of the Remaining Group as the proposed disposal of 100% equity interest of the Disposal Group by transfer of 43.9% of equity interest of Hopefluent China from the Purchaser had been completed on 31 December 2021; and (b) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2021 as if the Disposal had been completed on 1 January 2021. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 31 December 2021 or at any future date had the Disposal been completed on 31 December 2021 or financial performance and cash flows of the Remaining Group for the year ended 31 December 2021 or for any future period had the Disposal been completed on 1 January 2021.

The Unaudited Pro Forma Financial Information is presented based on the audited consolidated statement of financial position of the Group as at 31 December 2021 as set out in 2021 annual report of the Group and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 extracted from the consolidated financial statements of the Group for the year ended 31 December 2021 as set out in the 2021 annual report of the Company, the historical financial information as set out in Appendix II to this circular after giving effect to the pro forma adjustments described in the notes prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	The Group	Pro forma adjustments				Unaudited pro forma for the Remaining Group as at 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
NON-CURRENT ASSETS						
Investment properties	138,836	(20,592)				118,244
Property, plant, equipment	324,976	(58,029)				266,947
Right-of-use assets	270,524	(135,985)				134,539
Goodwill	218,604			(206,040)		12,564
Interests in associates and a joint venture	40,882	(37,927)				2,955
Loan receivables	84,916					84,916
Other receivables and deposits	18,157	(4,748)				13,409
Deferred tax assets	155,704	(23,362)				132,342
	1,252,599					765,916
CURRENT ASSETS						
Accounts receivable	1,204,203	(299,019)				905,184
Loan receivables	560,408					560,408
Security deposits	1,424,063	(1,390,391)				33,672
Other receivables, deposits and prepayments	787,009	(81,792)	17,321			722,538
Amount due from a joint venture	23,499					23,499
Financial assets at fair value through profit or loss ("**FVTPL**")	10,425					10,425
Pledged bank deposits	10,976					10,976
Bank balances and cash	1,720,919	(885,785)			(5,200)	829,934
	5,741,502					3,096,636
CURRENT LIABILITIES						
Payables and accruals	1,123,693	(833,347)	17,321			307,667
Contract liabilities	837,505	(790,758)				46,747
Lease liabilities	91,243	(67,068)				24,175
Tax liabilities	87,994	(17,573)				70,421
Amount due to an associate	4,900					4,900
Bank and other borrowings	326,747					326,747
	2,472,082					780,657
NET CURRENT ASSET	3,269,420					2,315,979
TOTAL ASSETS LESS CURRENT LIABILITIES	4,522,019					3,081,895

	The Group	Pro forma adjustments				Unaudited pro forma for the Remaining Group as at 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
CAPITAL AND RESERVES						
Share capital	6,741					6,741
Share premium and reserves	2,939,932			(208,602)	(5,200)	2,726,130
Equity attributable to owners of the Company	2,946,673					2,732,871
Non-controlling interests	1,165,804	(157,955)		(1,000,805)		7,044
TOTAL EQUITY	4,112,477					2,739,915
NON-CURRENT LIABILITIES						
Deferred tax liabilities	62,206					62,206
Lease liabilities	158,015	(67,562)				90,453
Other borrowings	189,321					189,321
	409,542					341,980
	4,522,019					3,081,895

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	The Group		Pro forma adjustments			Unaudited pro forma for the Remaining Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 6)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Revenue	7,165,879	(4,496,736)	80,415			2,749,558
Other income	43,035	(19,385)				23,650
Change in fair value on investment properties	1,221	(108)				1,113
Selling expenses	(6,631,263)	4,342,857	(80,176)			(2,368,582)
Administrative expenses	(926,352)	279,668	(239)		(5,200)	(652,123)
Other gains and losses	1,992	15				2,007
Loss allowance recognised on financial assets	(457,798)	(11,194)				(468,992)
Share of results of associates and a joint venture	10,840	(13,735)				(2,895)
Gain on disposal of a subsidiary	8,724					8,724
Loss on the Disposal	—			(207,009)		(207,009)
Finance costs	(67,970)	5,509				(62,461)
Loss before tax	(851,692)					(977,010)
Income tax credit	98,965	13,170				112,135
Loss for the year	(752,727)					(864,875)
Other comprehensive income						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation to presentation currency	92,860	(25,696)				67,164
Share of other comprehensive income of associates	3,129	(3,129)				—
	95,989					67,164
Total comprehensive expense for the year	(656,738)					(797,711)
Loss for the year attributable to:						
— Owners of the Company	(544,799)	153,726		(467,571)	(5,200)	(863,844)
— Non-controlling interests	(207,928)	(53,665)		260,562		(1,031)
	(752,727)					(864,875)
Total comprehensive expense for the year attributable to:						
— Owners of the Company	(493,293)	121,449		(419,636)	(5,200)	(796,680)
— Non-controlling interests	(163,445)	(50,213)		212,627		(1,031)
	(656,738)					(797,711)

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	The Group	Pro forma adjustments				Unaudited pro forma for the Remaining Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 7)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax	(851,692)	86,891		(207,009)	(5,200)	(977,010)
Adjustments for:						
Depreciation of property, plant and equipment	54,061	(13,777)				40,284
Depreciation of right-of-use assets	94,621	(23,826)				70,795
Provision of allowances on accounts receivable	306,164	(11,194)				294,970
Provision of allowances on loan receivables	151,634					151,634
Finance costs	67,970	(5,509)				62,461
Share of results of associates and a joint venture	(10,840)	16,864				6,024
Change in fair value of investment properties	(1,221)	108				(1,113)
Loss/(gain) on disposal and write-off of property, plant and equipment	253	(459)				(206)
Gain on disposal of financial assets at FVTPL	(2,017)					(2,017)
Gain on disposal of a subsidiary	(8,724)					(8,724)
Loss on the Disposal	—			207,009		207,009
Fair value changes of financial assets at FVTPL	(228)					(228)
Interest income	(14,521)					(14,521)
Operating cash flows before movements in working capital	(214,540)					(170,642)
Decrease in accounts receivable	227,920	149,531				377,451
Increase in loan receivables	(85,482)					(85,482)
Increase in other receivables, security deposits and prepayments	(1,056,411)	973,345	(17,321)			(100,387)
Decrease in financial assets at FVTPL	2,570					2,570
Increase in payables, accruals, and contract liabilities	189,140	(111,758)	17,321			94,703
Increase in amounts due from associates	—	(83)				(83)
Cash (used in)/generated from operations	(936,803)					118,130
PRC income tax paid	(85,170)	22,009				(63,161)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	(1,021,973)					54,969

	The Group		Pro forma adjustments			Unaudited pro forma for the Remaining Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 7)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	14,521					14,521
Proceeds from disposal of property, plant and equipment	11,009					11,009
Advance to a joint venture	(6,440)					(6,440)
Increase in amount due to associates	4,982					4,982
Dividends received from an associate	2,648	(2,648)				—
Purchase of investment properties	(5,231)	4,531				(700)
Purchase of property, plant and equipment	(37,605)	33,266				(4,339)
Net cash inflow on disposal of a subsidiary	14,561					14,561
Increase in pledged bank deposits	(10,976)					(10,976)
NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES	(12,531)					22,618
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank and other borrowings raised	571,134					571,134
Repayment of bank and other borrowings	(570,181)					(570,181)
Capital contribution from non-controlling equity holder	1,446	(1,446)				—
Payment of lease liabilities	(128,810)	28,148				(100,662)
Interest paid	(41,286)					(41,286)
Dividends paid	(20,225)					(20,225)
NET CASH USED IN FINANCING ACTIVITIES	(187,922)					(161,220)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,222,426)					(83,633)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,877,029	(1,989,926)				887,103
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	66,316	(39,852)				26,464
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,720,919					829,934

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2021 as set out in the Company's published annual report for the year ended 31 December 2021.

2. The adjustment represents the deconsolidation of the assets and liabilities of the Disposal Group as at 31 December 2021 as if the Disposal had been completed on 31 December 2021. The balance are extracted from the unaudited financial information of the Disposal Group as at 31 December 2021 as set out in Appendix II to this circular.

3. The amount of HK$17,321,000 represents the uneliminated balance between the Remaining Group and the Disposal Group that was recovered due to the deconsolidation of the Disposal Group. The amount was non-trade in nature (such as marketing and operating expenses), unsecured, interest-free and repayable on demand. The amount will be settled by cash within six months from the date on which all the conditions precedent under the Agreement have been fulfilled.

   The amounts of HK$80,415,000, HK$80,176,000 and HK$239,000 represent the subcontract agency revenue and related selling and administration expenses between the Remaining Group and the Disposal Group for the year ended 31 December 2021 that was recovered due to the deconsolidation of the Disposal Group.

4. The adjustment represents the disposal of 100% equity interest of Disposal Group for the consideration of 43.9% equity interest of Hopefluent (China) Real Estate Consultancy Co., Ltd. ("**Hopefluent China**"), estimated loss is determined as the excess of 56.1% effective equity interest of Disposal Group and the 43.9% of effective equity interest of Hopefluent China plus the amount of goodwill derecognised as the Disposal had been completed on 31 December 2021.

   As at the date of the Circular, the Company holds 56.1% equity interests of Hopefluent China and is the controlling shareholder of Hopefluent China as well as holds 100% equity interests of the Disposal Group. Upon the completion of the Disposal of 100% equity interests of the Disposal Group to Poly Developments, in consideration for the transfer of 43.9% equity interest of Hopefluent China from Poly Developments, which is regarded as a deemed acquisition of the Company's interests in Hopefluent China.

   The estimated loss on the Disposal:

	HK$'000	*HK$'000*
Pro-forma consideration for disposal of 100% net assets in the Disposal Group settled by 43.9% equity interest of Hopefluent China Group *(note a)*		561,920
Net assets of the Disposal Group as at 31 December 2021	(1,161,322)	
Less: Non-controlling interests *(note b)*	598,433	(562,889)
Goodwill derecognition *(note d)*		(206,040)
Pro-forma loss on the Disposal as at 31 December 2021		(207,009)

   The amount of HK$208,602,000 represents the Pro-forma loss on the Disposal of HK$207,009,000 and the decrease in reserve attributable to the owner of the Company of HK$1,593,000.

   The amount of HK$1,000,805,000 represents the derecognition of reserve attributable to non-controlling interests due to the Disposal.

   The amount of HK$467,571,000 represents the Pro-forma loss on the Disposal of HK$207,009,000 and reversal of loss attributable to non-controlling interests due to the derecognition of non-controlling interest of HK$260,562,000 for the year ended 31 December 2021.

The financial effect and the actual amount of loss on the Disposal are to be determined based on adjustments to the carrying amount of the net asset value of the Disposal Group and the carrying amount of the net asset value of the Hopefluent China Group as at the completion date and are therefore subject to change upon completion of the Disposal.

Note (a):

The amount represents the fair value of 43.9% of equity interest of Hopefluent China Group as at 31 December 2021, which is treated as the consideration of the Disposal. The fair value of Hopefluent China as at 31 December 2021 approximately of HK$1,280,000,000 (RMB1,050,000,000) is arrived at on the basis of valuation carried out on that date by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. According to HKFRS 3 B64(f), the acquisition of 43.9% equity interest in the Hopefluent China Group by the Group shall be measured at fair value.

Note (b):

The amount represents the net book assets of the Disposal Group as at 31 December 2021 before the Disposal.

Note (c):

Non-controlling interest of HK$598,433,000 represents HK$157,955,000 attributable minority interest in Tibet Poly Aijia Real Properties Brokerage Limited, a direct non-wholly-owned subsidiary of the Disposal Company and HK$440,478,000 attributable to Poly Developments as Poly Developments holds 43.9% effective equity interest of the Disposal Group.

Note (d):

The amount represents goodwill arising from the acquisition of the Disposal Group in 2018.

5. The adjustment represents payment for the estimated transaction costs on the Disposal.

6. The adjustment represents the deconsolidation of the financial performance of the Disposal Group for the year ended 31 December 2021 as set out in this circular as if the Disposal had been completed on 1 January 2021. The amounts are extracted from the unaudited financial information of the Disposal Group for the year ended 31 December 2021.

7. The adjustment represents the deconsolidation of the cash flows of the Disposal Group for the year ended 31 December 2021 as set out in this circular as if the Disposal had been completed on 1 January 2021. The amounts are extracted from the unaudited financial information of the Disposal Group for the year ended 31 December 2021.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Hopefluent Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hopefluent Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2021, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and related notes as set out on pages III-1 to III-8 of the circular issued by the Company dated 26 May 2022 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 to III-8 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of 100% equity interest Poly Real Estate Investment Consultancy Co., Ltd (the "**Disposal Company**") and its subsidiaries (the "**Disposal Group**") to Poly Developments and Holdings Group Co., Ltd. ("**Poly Developments**") for the transfer of 43.9% Hopefluent (China) Real Estate Consultancy Co., Ltd. ("**Hopefluent China**") from Poly Developments which is regarded as a deemed acquisition of the Company's interests in a subsidiary (the "**Disposal**") on the Group's financial position as at 31 December 2021 and its financial performance and cash flows for the year ended 31 December 2021 as if the Disposal had taken place on 31 December 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2021, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2021 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants

Hong Kong, 26 May 2022

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The number of issued Shares as at the Latest Practicable Date are set out below:

As at the Latest Practicable Date:

Issued and fully paid up: 674,149,989 Shares

All existing issued Shares rank *pari passu* in all respects, including the rights as to dividend, voting rights and capital.

No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

3. DISCLOSURE OF INTERESTS

Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in Shares

Name of Director	Capacity in which interests were held	Number of Shares	Total interests as a % of the total number of Shares in issue as at the Latest Practicable Date
Mr. Fu Wai Chung ("Mr. Fu")	Beneficial owner	28,024,334	4.16%
Mr. Fu	Controlled corporations *(Note 1)*	304,947,139	45.23%
Ms. Ng Wan	Beneficial owner	7,398,334	1.10%
Mr. Fu Ear Ly	Controlled corporations *(Note 2)*	78,319,938	11.62%

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. Mr. Fu Ear Ly is deemed to be interested in the 78,319,938 shares held by Simple Heart Limited which is wholly-owned by him. He is the son of Mr. Fu and Ms. Ng Wan, and the nephew of Ms. Fu Man.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company that had an interest or short position in the shares and underlying shares that would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

4. DIRECTORS' SERVICE CONTRACTS

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

5. LITIGATION

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

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or any of their respective close associates had an interest in a business that competes or is likely to compete, either directly or indirectly with the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

8. MATERIAL CONTRACTS

Save for the Agreement, as at the Latest Practicable Date, no contract, not being contracts entered into in the ordinary course of business, was entered into by members of the Group within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date which is or may be material.

9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
Octal Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants

As at the Latest Practicable Date, each of BDO Limited and Octal Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of BDO Limited and Octal Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by Octal Capital Limited is given as of the date of this circular for incorporation herein.

10. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at Room 3611, 36th Floor, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong.

(c) The company secretary of the Company is Mr. Lo Hang Fong, solicitor, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

(f) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopefluent.com) from the date of this circular up to and including the date of the EGM (and any adjournment thereof):

(a) the letter from the Independent Board Committee, the text of which is set out in this circular;

(b) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(c) the unaudited financial information of Poly Consultancy, the text of which is set out in Appendix II to this circular;

(d) the report from BDO Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(e) the consent letter as referred to in the section headed "Qualification and Consent of Expert" in this Appendix;

(f) the Agreement; and

(g) this circular.

HOPEFLUENT GROUP HOLDINGS LIMITED
合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 733)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Hopefluent Group Holdings Limited (the "**Company**") will be held at 3:00 p.m. on 28 June 2022 (Tuesday) at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the Agreement (as defined in the Company's circular dated 26 May 2022 (the "**Circular**"), and a copy of the Agreement has been produced to the EGM and marked "A" and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any director of the Company be and is hereby authorised to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things, as he or she may in his or her absolute discretion consider necessary or desirable to give effect to or in connection with the Agreement and the transactions contemplated thereunder, including without limitation the Proposed Restructuring (as defined in the Circular) and the Property Agency Transactions (as defined in the Circular), and to agree to make such variations of the terms and conditions of the Agreement and the transactions contemplated thereunder as he or she may in his or her absolute discretion consider necessary or desirable."

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

Hong Kong, 26 May 2022

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. at or before 3:00 p.m. on 26 June 2022 (Hong Kong time)), or any adjourned meeting thereof (as the case may be).

4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the EGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.

6. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 23 June 2022 (Thursday) to 28 June 2022 (Tuesday), both days inclusive, during which period no transfer of ordinary shares will be registered. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 22 June 2022 (Wednesday) for registration.

7. The Chinese translation of this notice (including the contents of the proposed resolutions set out herein) is for reference only. In case of inconsistency, the English version shall prevail.

8. Taking into account of the recent development of the epidemic caused by Novel Coronavirus ("COVID-19"), the Company will implement the following prevention and control measures at the meeting against the epidemic to protect the members from the risk of infection:

   (i) Compulsory body temperature check will be conducted for every member or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;

   (ii) Every member or proxy is required to wear surgical facial mask throughout the meeting; and

   (iii) No refreshment will be served.

   Furthermore, the Company wishes to advise the members, particularly the members who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the meeting as a proxy to vote on the resolutions, instead of attending the meeting in person.

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