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HOPEFLUENT GROUP HOLDINGS LIMITED

合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 733)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Directors” or “Board”) of Hopefluent Group Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022, together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | <i>Notes</i> | 2022 HK\$'000 | 2021 HK\$'000 (Restated) |
|---|--------------|--------------------------------|--------------------------------|
| Continuing operations | | | |
| Revenue | 3 | 1,516,862 | 2,669,143 |
| Other income | | 23,948 | 23,650 |
| Change in fair value on investment properties | | (4,135) | 1,113 |
| Selling expenses | | (1,383,509) | (2,288,406) |
| Administrative expenses | | (488,036) | (646,684) |
| Other gains and losses, net | | (4,012) | 2,007 |
| Allowance reversed/(recognised) on financial assets | 7 | 59,731 | (468,992) |
| Share of results of associates and a joint venture | | (417) | (2,895) |
| Gain on disposal of investment properties | | 27 | – |
| Gain on disposal of subsidiaries | | 842 | 8,724 |
| Loss on disposal of an associate | | (1,476) | – |
| Finance costs | 5 | (48,657) | (62,461) |
| Loss before tax | | (328,832) | (764,801) |
| Income tax (expense)/credit | 6 | (22,169) | 112,135 |
| Loss for the year from continuing operations | 7 | (351,001) | (652,666) |
| Discontinued operations | | | |
| Loss for the period/year from discontinued operations | 14 | (397,366) | (100,061) |
| Loss for the year | | (748,367) | (752,727) |

| | <i>Notes</i> | 2022 HK\$'000 | 2021 HK\$'000 (Restated) |
|---|--------------|--------------------------------|--------------------------------|
| Other comprehensive (expense)/income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (144,602) | 92,860 |
| Exchange differences reclassified to profit or loss upon derecognition of discontinued operations | | (51,562) | – |
| Share of other comprehensive (expense)/income of associates and a joint venture | | (298) | 3,129 |
| | | <u>(196,462)</u> | <u>95,989</u> |
| Total comprehensive expense for the year | | <u>(944,829)</u> | <u>(656,738)</u> |
| Loss for the year attributable to: | | | |
| Owners of the Company | | | |
| Loss for the year from continuing operations | | (246,020) | (458,558) |
| Loss for the period/year from discontinued operations | | (334,357) | (86,241) |
| | | <u>(580,377)</u> | <u>(544,799)</u> |
| Non-controlling interests | | | |
| Loss for the year from continuing operations | | (104,981) | (194,108) |
| Loss for the period/year from discontinued operations | | (63,009) | (13,820) |
| | | <u>(167,990)</u> | <u>(207,928)</u> |
| | | <u>(748,367)</u> | <u>(752,727)</u> |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | (718,777) | (493,293) |
| Non-controlling interests | | (226,052) | (163,445) |
| | | <u>(944,829)</u> | <u>(656,738)</u> |
| Loss per share | | | |
| Loss per share from continuing and discontinued operations | | | |
| — Basic and diluted | 9 | <u>HK(86.1) cents</u> | <u>HK(80.8) cents</u> |
| Loss per share from continuing operations | | | |
| — Basic and diluted | | <u>HK(36.5) cents</u> | <u>HK(68.0) cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | <i>Notes</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Investment properties | | 139,282 | 138,836 |
| Property, plant and equipment | | 288,899 | 324,976 |
| Right-of-use assets | | 94,966 | 270,524 |
| Goodwill | | 11,707 | 218,604 |
| Interests in associates and a joint venture | | – | 40,882 |
| Loan receivables | | 531,116 | 84,916 |
| Other receivables and deposits | | 7,752 | 18,157 |
| Deferred tax assets | | 147,395 | 155,704 |
| | | 1,221,117 | 1,252,599 |
| CURRENT ASSETS | | | |
| Accounts receivable | <i>10</i> | 656,951 | 1,204,202 |
| Loan receivables | | 42,585 | 560,408 |
| Security deposits | <i>11</i> | 37,660 | 1,424,063 |
| Other receivables, deposits and prepayments | | 673,261 | 787,010 |
| Amount due from a joint venture | | 17,980 | 23,499 |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 7,500 | 10,425 |
| Pledged bank deposits | | – | 10,976 |
| Bank balances and cash | | 393,966 | 1,720,919 |
| | | 1,829,903 | 5,741,502 |
| CURRENT LIABILITIES | | | |
| Payables and accruals | <i>12</i> | 310,755 | 1,123,693 |
| Contract liabilities | <i>13</i> | 25,642 | 837,505 |
| Lease liabilities | | 43,037 | 91,243 |
| Tax liabilities | | 61,773 | 87,994 |
| Amount due to an associate | | – | 4,900 |
| Bank and other borrowings | | 50,659 | 326,747 |
| | | 491,866 | 2,472,082 |
| NET CURRENT ASSETS | | 1,338,037 | 3,269,420 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,559,154 | 4,522,019 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 35,665 | 158,015 |
| Deferred tax liabilities | | 108,205 | 62,206 |
| Bank and other borrowings | | 181,250 | 189,321 |
| | | 325,120 | 409,542 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 6,741 | 6,741 |
| Share premium and reserves | | 2,221,155 | 2,939,932 |
| Equity attributable to owners of the Company | | 2,227,896 | 2,946,673 |
| Non-controlling interests | | 6,138 | 1,165,804 |
| TOTAL EQUITY | | 2,234,034 | 4,112,477 |
| | | 2,559,154 | 4,522,019 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

Hopefluent Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of its registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands and 9–10/F, One Bravo, 1 Jinsui Road, Zhujiang New Town, Tianhe District, Guangzhou, People’s Republic of China (“PRC”), respectively.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi (“RMB”). The Directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company.

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

(a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group.

| | |
|---|--|
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standard, HKFRS 9 Financial Instruments, HKFRS 16 Leases, and HKAS 41 Agriculture |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |

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

(b) New or amended HKFRSs that have been issued but not yet effective

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and related amendments ¹ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKFRS 10 and HKAS 28 | Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impacts on the consolidated financial statements.

3. REVENUE

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> (Restated) <i>(note)</i> |
|---|-------------------------|--|
| <i>Disaggregation of revenue</i> | | |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Agency commission | | |
| — from continuing operations | 1,425,835 | 2,489,400 |
| — from discontinued operations (<i>note 14</i>) | 2,792,666 | 4,496,736 |
| | <u>4,218,501</u> | <u>6,986,136</u> |
| Revenue from other sources without the scope of HKFRS 15 | | |
| Finance income | | |
| — Interest income from loan receivables | 84,804 | 123,512 |
| — Financial services income | 6,223 | 56,231 |
| | <u>4,309,528</u> | <u>7,165,879</u> |
| <i>Timing of revenue recognition</i> | | |
| At a point in time | | |
| Agency commission | | |
| — from continuing operations | 1,425,835 | 2,489,400 |
| — from discontinued operations (<i>note 14</i>) | 2,792,666 | 4,496,736 |
| Financial services income | 6,223 | 56,231 |
| Over-time | | |
| Interest income from loan receivables | 84,804 | 123,512 |
| | <u>4,309,528</u> | <u>7,165,879</u> |

Note: The comparative revenue and related segment notes have been re-presented as if the operations discontinued (*note 14*) during the year had been discontinued at the beginning of the comparative period.

4. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

The Group has the following operating segments during the year ended 31 December 2022. These segments are managed separately. No operating segments have been aggregated to the following reportable segments.

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

The Group was involved in the following segment which was discontinued during the year ended 31 December 2022:

On 31 March 2022, the Company entered into a conditional shareholder cooperation adjustment agreement (the "Agreement") with Poly Developments and Holdings Group Co., Ltd. ("Poly") to dispose the entire issued share capital of Poly Real Estate Investment Consultancy Co., Ltd. and its subsidiaries ("Poly Consultancy Group"). The operation of Poly Consultancy Group representing the provision of property real estate agency services in the PRC was classified as discontinued operations.

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

For the year ended 31 December 2022

| | Continuing Operations | | | Discontinued Operations | Total <i>HK\$'000</i> |
|-----------|--|---------------------------------------|------------------------------|--|--------------------------|
| | Property real estate agency <i>HK\$'000</i> | Financial services <i>HK\$'000</i> | Sub-total <i>HK\$'000</i> | Property real estate agency <i>HK\$'000</i> | |
| The PRC | 1,419,017 | 91,027 | 1,510,044 | 2,792,666 | 4,302,710 |
| Australia | 6,818 | – | 6,818 | – | 6,818 |
| | <u>1,425,835</u> | <u>91,027</u> | <u>1,516,862</u> | <u>2,792,666</u> | <u>4,309,528</u> |

For the year ended 31 December 2021

| | Continuing Operations | | | Discontinued Operations | Total <i>HK\$'000</i> |
|-----------|---|---------------------------------------|------------------------------|---|--------------------------|
| | Property real estate agency <i>HK\$'000</i> (Restated) <i>(note)</i> | Financial services <i>HK\$'000</i> | Sub-total <i>HK\$'000</i> | Property real estate agency <i>HK\$'000</i> (Restated) <i>(note)</i> | |
| The PRC | 2,459,935 | 179,743 | 2,639,678 | 4,496,736 | 7,136,414 |
| Australia | 29,465 | – | 29,465 | – | 29,465 |
| | <u>2,489,400</u> | <u>179,743</u> | <u>2,669,143</u> | <u>4,496,736</u> | <u>7,165,879</u> |

Note: The comparative revenue and related segment notes have been re-presented as if the operations discontinued (note 14) during the year had been discontinued at the beginning of the comparative period.

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

For the year ended 31 December 2022

| | Continuing Operations | | | Discontinued Operations | Total HK\$'000 |
|--|---|--------------------------------|-----------------------|---|-------------------|
| | Property real estate agency HK\$'000 | Financial services HK\$'000 | Sub-total HK\$'000 | Property real estate agency HK\$'000 | |
| Segment revenue | 1,425,835 | 91,027 | 1,516,862 | 2,792,666 | 4,309,528 |
| Segment (loss)/profit | (312,589) | 22,470 | (290,119) | (153,870) | (443,989) |
| Other income | | | 23,948 | 8,182 | 32,130 |
| Central administrative costs | | | (64,564) | – | (64,564) |
| Other gains and losses, net | | | (4,012) | 322 | (3,690) |
| Allowance reversed/(recognised) on financial assets | | | 59,731 | (91) | 59,640 |
| Gain on disposal of subsidiaries | | | 842 | – | 842 |
| Share of results of associates | | | (417) | 2,563 | 2,146 |
| Gain on disposal of investment properties | | | 27 | – | 27 |
| Decrease in fair value of investment properties | | | (4,135) | – | (4,135) |
| Loss on disposal of an associate | | | (1,476) | – | (1,476) |
| Finance costs | | | (48,657) | (5,145) | (53,802) |
| Loss before tax | | | <u>(328,832)</u> | <u>(148,039)</u> | <u>(476,871)</u> |

For the year ended 31 December 2021

| | Continuing Operations | | | Discontinued Operations | Total HK\$'000 |
|--|---|--------------------------------|-----------------------|---|-------------------|
| | Property real estate agency HK\$'000 (Restated) | Financial services HK\$'000 | Sub-total HK\$'000 | Property real estate agency HK\$'000 (Restated) | |
| Segment revenue | 2,489,400 | 179,743 | 2,669,143 | 4,496,736 | 7,165,879 |
| Segment (loss)/profit | (227,309) | 34,236 | (193,073) | (125,789) | (318,862) |
| Other income | | | 23,650 | 19,385 | 43,035 |
| Central administrative costs | | | (72,874) | – | (72,874) |
| Other gains and losses, net | | | 2,007 | (15) | 1,992 |
| Allowance (recognised)/reversed on financial assets | | | (468,992) | 11,194 | (457,798) |
| Gain on disposal of a subsidiary | | | 8,724 | – | 8,724 |
| Share of results of associates and a joint venture | | | (2,895) | 13,735 | 10,840 |
| Increase in fair value of investment properties | | | 1,113 | 108 | 1,221 |
| Finance costs | | | (62,461) | (5,509) | (67,970) |
| Loss before tax | | | <u>(764,801)</u> | <u>(86,891)</u> | <u>(851,692)</u> |

5. FINANCE COSTS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> (Restated) |
|------------------------------|-------------------------|---------------------------------------|
| Continuing operations | | |
| Interests on: | | |
| — Bank borrowings | 6,053 | 885 |
| — Other borrowings | 24,507 | 40,401 |
| — Lease liabilities | 18,097 | 21,175 |
| | <u>48,657</u> | <u>62,461</u> |

6. INCOME TAX EXPENSE/(CREDIT)

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> (Restated) |
|-------------------------------------|-------------------------|---------------------------------------|
| Continuing operations | | |
| Current tax: | | |
| — PRC Enterprise Income Tax (“EIT”) | 8,270 | 14,602 |
| Deferred tax: | | |
| — Deferred tax assets | 14,933 | (131,694) |
| — Deferred tax liabilities | (1,034) | 4,957 |
| | <u>22,169</u> | <u>(112,135)</u> |

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

PRC withholding income tax of 10% is levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008.

No Hong Kong profits tax has been provided in both years in the consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong for both years.

7. LOSS FOR THE YEAR

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> (Restated) |
|---|-------------------------|---------------------------------------|
| Loss for the year from continuing operations has been arrived at after charging/(crediting): | | |
| Director's remuneration, including retirement benefits scheme contributions | 11,298 | 11,257 |
| Other staff costs | 1,206,443 | 1,961,126 |
| Other retirement benefits scheme contributions | 121,664 | 133,167 |
| Total staff costs | 1,339,405 | 2,105,550 |
| Auditor's remuneration | 4,200 | 4,500 |
| Depreciation expense for the year | | |
| — Property, plant and equipment | 25,941 | 40,284 |
| — Right-of-use assets | 56,163 | 70,795 |
| | 82,104 | 111,079 |
| Allowance (reversed)/recognised on financial assets | | |
| — Allowance (reversed)/recognised on accounts receivable | (26,589) | 317,358 |
| — Allowance (reversed)/recognised on loan receivables | (33,142) | 151,634 |
| | (59,731) | 468,992 |
| (Gain)/loss on disposal of, and written-off property, plant and equipment (included in other gains and losses) | (1,016) | 238 |
| Loss/(gain) on fair value changes of financial assets at FVTPL (included in other gains and losses) | 1,921 | (228) |
| Loss/(gain) on disposal of financial assets at FVTPL (included in other gains and losses) | 3,107 | (2,017) |
| Total other losses/(gains), net | 4,012 | (2,007) |

8. DIVIDENDS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividends approved and paid during the year: | | |
| 2022 Interim — HKnil cents per share (2021: 2021 Interim — HK0.5 cents per share) | — | 3,371 |
| 2021 Final — HKnil cents per share (2021: 2020 Final — HK2.5 cents per share) | — | 16,854 |
| | <u>—</u> | <u>20,225</u> |

On 28 March 2023, the Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: did not recommend the payment of a final dividend for the year ended 31 December 2021).

9. LOSS PER SHARE

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

For continuing and discontinued operations

Loss

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company) | <u>(580,377)</u> | <u>(544,799)</u> |

Number of shares

| | 2022 <i>'000</i> | 2021 <i>'000</i> |
|---|---------------------|---------------------|
| Weighted average number of ordinary shares in issue | <u>674,150</u> | <u>674,150</u> |

There are no potential dilutive shares in issue during both years ended 31 December 2022 and 2021.

For continuing operations

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss for the purpose of calculation basic loss per share (loss for the year attributable to owners of the Company) | (580,377) | (544,799) |
| Less: loss for the period/year from discontinued operations | <u>334,357</u> | <u>86,241</u> |
| | <u>(246,020)</u> | <u>(458,558)</u> |

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operations

Basic and diluted loss per share for the discontinued operations is HK49.6 cents per share (2021: HK12.8 cents per share), based on the loss for the period from discontinued operations of HK\$334,357,000 (2021: HK\$86,241,000) and the denominators detailed above for the both basic and diluted loss per share.

10. ACCOUNTS RECEIVABLE

The Group allows an average credit period ranging from 30 to 180 days (2021: 30 to 180 days) to its customers. The aging analysis of accounts receivable net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Accounts receivable | | |
| 0–30 days | 265,143 | 472,948 |
| 31–60 days | 16,254 | 95,016 |
| 61–90 days | 13,932 | 74,765 |
| 91–120 days | 14,622 | 35,942 |
| 121–180 days | 21,695 | 71,500 |
| Over 180 days | <u>325,305</u> | <u>454,031</u> |
| | <u>656,951</u> | <u>1,204,202</u> |

11. SECURITY DEPOSITS

The amounts mainly represent security deposits paid by the Group to property developers enabling the Group to carry out the property real estate agency services in the primary market project, which will be released to the Group at the earlier of (i) period agreed in the respective agreements; or (ii) upon completion of the respective agreements. Included in security deposits paid to property developers at 31 December 2022, is amounts due from a non-controlling interest and its related parties of HK\$nil (2021: HK\$1,402,039,000). The amount of security deposits are interest-free, refundable and unsecured, and the management of the Group expects all these security deposits to be settled within one year from the end of reporting date.

12. PAYABLES AND ACCRUALS

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

13. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Contract liabilities in respect of third parties | <u>25,642</u> | <u>837,505</u> |

The contract liabilities of the Group mainly arise from advance payments received from customers which the underlying services are not yet provided. The contract liabilities are recognised as revenue after the Group satisfies its performance obligations to the customers.

14. DISCONTINUED OPERATIONS

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

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

The results of the discontinued operations for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income were as follows.

| | 1 January 2022 to 31 August 2022 (Date of Derecognition) HK\$'000 | 1 January 2021 to 31 December 2021 HK\$'000 |
|--|--|---|
| Revenue | 2,792,666 | 4,496,736 |
| Other income | 8,182 | 19,385 |
| Change in fair value on investment properties | – | 108 |
| Selling expenses | (2,777,578) | (4,342,857) |
| Administrative expenses | (168,958) | (279,668) |
| Other gains and losses | 322 | (15) |
| Allowance (recognised)/reversed on financial assets | (91) | 11,194 |
| Share of results of associates | 2,563 | 13,735 |
| Finance costs | (5,145) | (5,509) |
| Loss before tax | (148,039) | (86,891) |
| Income tax expense | (38,556) | (13,170) |
| Loss for the period/year from discontinued operations | (186,595) | (100,061) |
| Loss on derecognition of discontinued operations | (210,771) | – |
| | <u>(397,366)</u> | <u>(100,061)</u> |
| Loss for the period/year from discontinued operations has been arrived at after charging/(crediting): | | |
| Staff costs | 1,157,873 | 1,835,917 |
| Other retirement benefits scheme contributions | 96,469 | 145,631 |
| | <u>1,254,342</u> | <u>1,981,548</u> |

| | 1 January 2022 to 31 August 2022 (Date of Derecognition) HK\$'000 | 1 January 2021 to 31 December 2021 HK\$'000 |
|---|--|---|
| Depreciation expense for the year | | |
| Property, plant and equipment | 9,343 | 13,777 |
| Right-of-use assets | 21,205 | 23,826 |
| | <u>30,548</u> | <u>37,603</u> |
| (Gain)/loss on disposal of and written-off property, plant and equipment | <u>(322)</u> | <u>15</u> |
| Cash flow from discontinued operations | | |
| Net cash generated from/(used in) operating activities | 520,793 | (1,082,142) |
| Net cash used in investing activities | (33,750) | (35,149) |
| Net cash used in financing activities | (648,351) | (26,702) |
| | <u>(161,308)</u> | <u>(1,143,993)</u> |
| Effect of foreign exchange rate changes | (49,270) | 39,852 |
| | <u>(210,578)</u> | <u>(1,104,141)</u> |
| Net cash outflow | | |

For the purpose of presenting the above discontinued operations, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

The net assets of Poly Consulting Group at the Date of Derecognition as follows:

| | | <i>HK\$'000</i> |
|--|-----------------|--------------------|
| Net assets derecognised of: | | |
| Investment properties | | 23,516 |
| Property, plant and equipment | | 73,228 |
| Right-of-use assets | | 111,040 |
| Interests in associates | | 37,816 |
| Accounts and other receivables | | 1,504,694 |
| Bank balances and cash | | 675,206 |
| Payables and other liabilities | | <u>(2,125,920)</u> |
| | | <u>299,580</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net assets of Hopefluent China as at the Date of Derecognition | <u>372,056</u> | |
| 43.9% of equity interest held by Poly | | 163,333 |
| Net assets of Poly Consultancy Group as at the Date of Derecognition | (299,580) | |
| Less: Non-controlling interests | <u>131,516</u> | (168,064) |
| Goodwill derecognition | | <u>(206,040)</u> |
| | | <u>(210,771)</u> |
| Net cash outflow arising on derecognition | | |
| Cash received | | – |
| Less: Bank balance and cash equivalents derecognised | | <u>(675,206)</u> |
| Net cash outflow | | <u>(675,206)</u> |

15. COMPARATIVES

Conformed to current year's presentation, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year has been discontinued at the beginning of the comparative period. The restatement had no effect on the reported financial position, results or cash flows of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

I. Market Review for the 2022 Year

In 2022, the real estate industry in Mainland China faced numerous challenges. To begin with, the volatile global economic environment and adjustments in industrial layout placed downward pressure on the domestic market. Coupled with the peaks and troughs resulting from COVID-19, many industries were hit hard and consumer spending was curtailed, all of which seriously affected an already weakened real estate sector and dragged down various industry indicators.

Despite the prompt actions taken by the Mainland government at year-end, clarifying the status of the real estate industry as the pillar of the economy, it will take time for the industry to recover. The sales of commercial housing in the country have declined by approximately 30% year-on-year, and investment in real estate development nationwide has plummeted.

Under this environment, the Group has spared no effort in avoiding risk, though the general market conditions have inevitably affected the Group's results and revenue.

II. Business Review of the Group

For the year ended 31 December 2022, the Group's turnover reached HK\$1,517 million, down approximately 43% from the same period last year (2021: HK\$2,669 million), with loss attributable to shareholders totaling HK\$580 million (2021: loss attributable to shareholders of HK\$545 million. Basic loss per share was HK86.1 cents (2021: basic loss per share: HK80.8 cents per share). The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2022.

Turnover from the property real estate agency services business amounted to approximately HK\$1,426 million, and accounted for 94% of the Group's turnover, while turnover from the financial services business was approximately HK\$91 million, and accounted for 6% of the Group's turnover. Total new home sales in 2022 amounted to approximately HK\$380 billion in which approximately 217,000 transactions were handled, and encompassed a total gross floor area of about 19.6 million square meters.

1. Property Real Estate Agency Services Business

Turnover of this segment fell by 43% from approximately HK\$2,489 million in 2021 to approximately HK\$1,426 million, which was mainly because the real estate industry continued to face severe conditions in Mainland China. Uncertainties surrounding the economy and pandemic, debt risks of real estate companies, and market contractions constrained the development of the local real estate market this year. Even though the Mainland government launched a number of policies at the beginning of the second half of 2022 to “stabilize the economy, market and employment” and support the healthy development of the industry, the downward trend of the industry persisted. The Group’s property real estate agency services business was inevitably affected. In a challenging operating environment, business operating costs increased, and revenue fell below expectations.

During the review year, the Group re-organized its cooperation model with Poly. It acquired 43.9% equity interest in Hopefluent China, which was held by Poly, and disposed of its interest in Poly Consultancy Group to Poly. Details of which have been disclosed in the circular dated 26 May 2022. In addition, the Group continued to look for resources to better address its development needs. It is believed that the increased shareholding in the Group by Country Garden Services can strengthen the Group’s property agency and property value-added service businesses, and create opportunities for resource sharing and information exchange.

The Group has also maintained its focus on meeting the needs of homebuyers. It has explored the digital operation and sustainable service model via the “AI house tour” platform in order to help its property real estate agency services business “enhance both its strength and capacity for growth”.

Currently, the Group’s property real estate agency services business covers more than 80 large and small cities and handles over 1,100 agency projects. The Group has around 160 secondary branches.

2. *Financial Services Business*

Domestic and global macroeconomic conditions were unstable, and the financial services business continued to face a shrinking market. During the year, the Group focused on serving existing high-quality customers, and screened real estate companies and high-net-worth individuals with strong investment and financing needs through more rigorous vetting procedures. Risk control remained as the core focus of the operations. In the future, the Group will closely monitor market developments and adjust the positioning and strategies of its financial services in a timely manner to facilitate steady progress.

During the year under review, total transaction value of the Group's financial services business amounted to approximately HK\$512 million, with a turnover of approximately HK\$91 million (2021: approximately HK\$180 million).

III. Prospects for 2023

From a series of austerity policies formulated at the end of 2022, it is not difficult to see that stable economic development will be a priority of the Mainland government in 2023. Real estate will undoubtedly remain as the pillar of the national economy, and its recovery will play a key role in economic development. The Mainland government has consequently implemented an array of measures and austerity policies. Firstly, various financial tools have been launched to support the supply side, allowing developers to obtain more funds through financing to launch more projects. Secondly, policies regarding property financial restrictions and purchase restrictions have been optimized, while mortgage policies have also been adjusted to stimulate consumer sentiment. Coupled with a number of related measures, the government has strived to stabilize market confidence, and fully support the prosperity of the market from both the supply and demand sides. At the same time, municipalities have also enhanced the flexibility of their local policies in line with different market conditions so as to accelerate the pace of market recovery.

As the haze of the pandemic gradually disappears, the linking of city clusters and metropolitan areas will resume. The stability of the real estate industry will be driven by “leading economic zones”. Recent market data have indicated that the Mainland China economy has come out of its trough, and that sales in the real estate market have picked up. The Group's performance will likely rebound in the coming year.

Going forward, the Group will further penetrate key cities and consolidate its business foundation, while retaining and promoting its existing customer base. It will also search for more business opportunities through the digitalization of operations. The Group will remain pragmatic and strive to generate long-term and promising returns for shareholders.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK\$394 million (31 December 2021: HK\$1,721 million) and 3.72 (31 December 2021: 2.32) respectively. Total borrowings amounted to approximately HK\$232 million which are secured and unsecured bank loan and other borrowings (31 December 2021: approximately HK\$516 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 7.6% (31 December 2021: 7.4%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 31 December 2022.

PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged its investment properties and property, plant and equipment 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.

EMPLOYEES

As at 31 December 2022, the Group had approximately 7,300 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.

ENVIRONMENTAL POLICY

The Group is committed to building an environmental friendly working environment that conserves natural resources. The Group strives to minimize the environmental impact by saving electricity and water and encouraging recycle of office supplies.

CAPITAL STRUCTURE

As at 31 December 2022, the total number of shares (the “Shares”) of HK\$0.01 each in the capital of the Company in issue was 674,149,989.

DIVIDEND

On 28 March 2023, the Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

There was no interim dividend declared for the six months ended 30 June 2022 (six months ended 30 June 2021: HK0.5 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 June 2023 (Monday) to 15 June 2023 (Thursday), both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2023 Annual General Meeting. In order to be eligible to attend and vote at the 2023 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrars in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 9 June 2023 (Friday).

During the period mentioned above, no transfers of shares will be registered.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

During the year ended 31 December 2022, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except the following deviations (the Code Provisions C.2.1 and C.6.1):

Chairman and Chief Executive Officer

Mr. Fu Wai Chung (“Mr. Fu”) is the chairman of the Company (the “Chairman”) and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

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

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

Company Secretary

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

PUBLICATION OF DETAILED ANNUAL RESULTS ON STOCK EXCHANGE’S WEBSITE

The 2022 annual report containing all the information required by the Listing Rules will be released on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopefluent.com) and dispatched to shareholders in due course.

2023 ANNUAL GENERAL MEETING

It is proposed that the 2023 Annual General Meeting of the Company will be held on 15 June 2023 (Thursday). A notice convening the 2023 Annual General Meeting will be released on the websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company accordingly.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation for the support of our customers and shareholders. Thanks also to the staff members of the Group for their commitment and dedicated services throughout the year.

By Order of the Board of Directors
FU Wai Chung
Chairman

Hong Kong, 28 March 2023

As at the date of this announcement, the Board of Directors comprises 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.