Hydoo 毅德控股

HYDOO INTERNATIONAL HOLDING LIMITED
毅 德 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1396)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	Note	**2013**	2012	Change
Contracted sales				
Contracted sales (RMB'000)		**7,004,554**	1,306,184	436.3%
Contracted average sales price (RMB/sq.m.)		**7,833**	5,432	44.2%
Selected Financial Information				
Turnover (RMB'000)		**4,756,464**	1,607,114	196.0%
Gross profit (RMB'000)		**2,932,355**	776,271	277.7%
Profit from operations (RMB'000)		**2,487,234**	521,057	377.3%
Profit for the year attributable to equity shareholders of the Company (RMB'000)		**1,177,782**	216,506	444.0%
Core operating net profit for the year attributable to equity shareholders of the Company (RMB'000)	1	**1,418,184**	362,741	291.0%
At the end of year:				
Total Assets (RMB'000)		**11,003,697**	5,143,105	114.0%
Net cash position (RMB'000)	2	**3,512,165**	(142,179)	2,570.2%
Bank loans and other borrowings (RMB'000)		**883,860**	749,000	18.0%
Total Equity attributable to equity shareholders of the Company (RMB'000)		**4,421,071**	949,782	365.5%

	Note	**2013**	2012	Change
Selected Financial Ratios				
Gross profit margin		**61.6%**	48.3%	27.5%
Net profit margin		**24.8%**	13.5%	83.7%
Core operating net profit margin		**29.8%**	22.6%	31.9%
Earnings per share (Basic), (RMB cents)	3	**40.8**	9.0	353.3%
Core earnings per share (Basic), (RMB cents)		**49.2**	15.0	228.0%
Asset turnover ratio	4	**58.9%**	39.6%	48.7%
Return on equity	5	**51.7%**	50.8%	1.8%
Gearing ratio	6	**8.0%**	25.9%	-69.1%
Proposed final dividend (per share)	7	**RMB15.3 cents**	—	N/A

Notes

1. Our core operating net profit for the year represents our profit for the year attributable to equity shareholders of the Company adjusted to exclude non-operating income/loss (mainly the financial impact of Preferred Shares issued to Hony Capital), employee share option scheme expenses and withholding tax on undistributed profits of PRC subsidiaries.

2. Our net cash position represents the Group's cash and cash equivalents, restricted cash less bank loans and other borrowings.

3. The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,177,782,000 (2012: RMB216,506,000) and the weighted average of 2,883,306,000 ordinary shares (2012: 2,414,858,000 shares after adjusting for the capitalization issue in 2013) in issue during the year.

4. Our asset turnover ratio is calculated as the Group's turnover for the year divided by average total assets and multiplying by 100%.

5. Our return on equity is calculated as the Group's core operating net profit divided by average equity and multiplying by 100%.

6. Our gearing ratio is calculated as the Group's total interest bearing borrowings (includes bank loans and other borrowings and redeemable convertible preference shares) divided by total assets at the end of the reporting period and multiplying by 100%.

7. Or equivalent to approximately HK19.5 cents per share, the dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

ANNUAL RESULTS

The board of directors (the "**Board**") of Hydoo International Holding Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2013 (the "**FY2013**") with comparative figures for the preceding financial year ended 31 December 2012 (the "**FY2012**"), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** *RMB'000*	2012 *RMB'000*
Turnover	2	**4,756,464**	1,607,114
Cost of sales	4(c)	**(1,824,109)**	(830,843)
Gross profit		**2,932,355**	776,271
Other revenue	3	**5,353**	1,377
Other net income/(loss)	3	**14,562**	(5)
Selling and distribution expenses		**(129,464)**	(62,220)
Administrative expenses		**(312,475)**	(187,722)
Other operating expenses		**(23,097)**	(6,644)
Profit from operations		**2,487,234**	521,057
Share of loss of a joint venture		**—**	(3,111)
Gain on disposal of a subsidiary		**—**	306,551
Finance income	4(a)	**11,079**	1,374
Finance costs	4(a)	**(70,183)**	(73,241)
Change in fair value of embedded derivative on redeemable convertible preference shares		**(103,271)**	(292,348)
Profit before taxation	4	**2,324,859**	460,282
Income tax	5(a)	**(1,148,896)**	(245,491)
Profit for the year		**1,175,963**	214,791
Attributable to:			
Equity shareholders of the Company		**1,177,782**	216,506
Non-controlling interests		**(1,819)**	(1,715)
Profit for the year		**1,175,963**	214,791
Earnings per share			
Basic (RMB)	6	**0.41**	0.09
Diluted (RMB)	6	**0.39**	0.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**1,175,963**	214,791
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China, net of nil tax	**11,576**	893
Total comprehensive income for the year	**1,187,539**	215,684
Attributable to:		
Equity shareholders of the Company	**1,189,358**	217,399
Non-controlling interests	**(1,819)**	(1,715)
Total comprehensive income for the year	**1,187,539**	215,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Note	**2013**	2012
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**61,031**	45,647
Intangible assets		**1,329**	441
Goodwill		**2,252**	—
Other non-current financial assets		**23,618**	19,800
Deferred tax assets		**213,913**	122,247
		302,143	188,135
Current assets			
Inventories	7	**5,390,826**	3,303,546
Current tax assets		**111,762**	95,230
Trade and other receivables, prepayments and deposits	8	**682,941**	948,577
Amounts due from related parties		**—**	796
Restricted cash		**103,031**	22,442
Available-for-sale investments		**120,000**	—
Cash and cash equivalents		**4,292,994**	584,379
		10,701,554	4,954,970
Current liabilities			
Trade and other payables	9	**3,828,104**	1,712,620
Bank loans and other borrowings	10	**281,860**	689,000
Current tax liabilities		**932,982**	225,693
Amounts due to related parties		**—**	1,228
Deferred income	11	**858,082**	521,267
		5,901,028	3,149,808
Net current assets		**4,800,526**	1,805,162
Total assets less current liabilities		**5,102,669**	1,993,297

	Note	**2013**	2012
	Note	***RMB'000***	*RMB'000*
Non-current liabilities			
Bank loans and other borrowings	10	**602,000**	60,000
Deferred income	11	**5,843**	3,316
Redeemable convertible preference shares	12	**—**	581,412
Embedded derivative liabilities on redeemable convertible preference shares	12	**—**	292,502
Deferred tax liabilities		**63,038**	—
		670,881	937,230
NET ASSETS		**4,431,788**	1,056,067
Capital and reserves	13		
Share capital		**31,945**	365
Reserves		**4,389,126**	949,417
Total equity attributable to equity shareholders of the Company		**4,421,071**	949,782
Non-controlling interests		**10,717**	106,285
TOTAL EQUITY		**4,431,788**	1,056,067

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and presentation of the financial statements

Hydoo International Holding Limited (the "Company", formerly known as Howard International Holding Limited) was incorporated in the Cayman Islands on 19 October 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation completed on 18 May 2011 (the "Reorganisation") as detailed in the section headed "History and Corporate Structure" in the Company's prospectus dated 18 October 2013, the Company became the holding company of the companies now comprising the Group.

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

These financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– available-for-sale investments; and

– redeemable convertible preference shares.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) New and revised IFRSs that are first effective for the current accounting period

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7 - *Disclosures - Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Turnover and segment reporting

The principal activities of the Group are development, sales and operation of commercial trade and logistics centers and residential properties in the PRC.

Turnover represents income from sales of properties, property management services income and rental income net of business tax and other sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover during the year are as follows:

	2013	2012
	RMB'000	*RMB'000*
Sales of properties	**4,748,766**	1,605,907
Rental income	**671**	360
Property management services	**7,027**	847
	4,756,464	1,607,114

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the year.

3 Other revenue and other net income／(loss)

	2013	2012
	RMB'000	*RMB'000*
Other revenue		
Dividend income	**4,019**	—
Others	**1,334**	1,377
	5,353	1,377
Other net income/(loss)		
Net gains on disposal of available-for-sale investments	**14,562**	—
Loss on disposal of property, plant and equipment	**—**	(5)
	14,562	(5)

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

	2013	2012
	RMB'000	*RMB'000*
Finance income		
Interest income	**(11,079)**	(1,374)
Finance costs		
Interest on bank loans and other borrowings	**108,558**	61,928
Less: interest expense capitalised into properties under development *	**(107,977)**	(61,639)
	581	289
Net foreign exchange loss	**3,602**	1,548
Finance expense on redeemable convertible preference shares	**66,000**	71,404
	70,183	73,241

* The borrowing costs have been capitalised at rates ranging from 6.40% - 17.00% per annum for the year ended 31 December 2013 (2012: 6.65% - 17.00% per annum).

(b) Staff costs:

	2013	2012
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**7,402**	3,138
Salaries, wages and other benefits	**147,792**	66,352
Equity settled share-based payment expenses	**5,707**	6,109
	160,901	75,599

(c) Other items:

	2013	2012
	RMB'000	*RMB'000*
Depreciation and amortisation	**16,361**	8,220
Auditors' remuneration		
– Audit services	**2,246**	139
– Tax advisory services	**—**	12
Operating lease charges	**10,129**	7,420
Cost of properties sold (i)	**1,817,539**	829,265

(i) Cost of properties sold is after netting off benefits from government grants of RMB620,938,000 for the year ended 31 December 2013 (2012: RMB285,162,000).

5 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("CIT")	**473,453**	259,309
LAT (note iv)	**687,289**	60,907
Under-provision in respect of prior years (note v)	**16,782**	—
	1,177,524	320,216
Deferred tax		
Origination and reversal of temporary differences	**(28,628)**	(74,725)
	1,148,896	245,491

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**2,324,859**	460,282
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**634,772**	210,254
Tax effect of non-deductible expenses	**11,023**	5,453
Tax effect of non-taxable income	**(1,005)**	—
Tax effect of unused tax losses not recognised	**8,987**	298
Utilisation of previously unrecognised tax loss	**(322)**	(1)
Withholding tax on undistributed profits of PRC subsidiaries	**63,038**	—
LAT (note iv)	**687,289**	60,907
Tax effect on LAT	**(171,822)**	(15,227)
Tax effect of adopting prescribed tax calculation method by a PRC subsidiary (note iii)	**—**	(16,193)
Tax concessions (note iii)	**(99,846)**	—
Under-provision in respect of prior years (note v)	**16,782**	—
Total income tax	**1,148,896**	245,491

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in this jurisdiction.

(ii) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year (2012: Nil).

(iii) PRC CIT

The Group's PRC subsidiaries are subject to statutory tax rate of 25% on their assessable profits. According to the approval from the tax authority in Ningxiang, Hunan Province, Ningxiang Hydoo Guangcai Trade Center Development Company Limited's assessable profits were calculated based on 10% of its gross income for the year ended 31 December 2012.

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Center") was approved to enjoy a preferential CIT rate of 15% for the years from 2012 to 2020 according to a tax notice issued by the local tax bureau. The preferential tax treatment was based on various tax rules and regulations in relation to the PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions of China.

(iv) PRC LAT

LAT which is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to LAT which were calculated based on 5% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

(v) On 24 May 2013, Hydoo Estate (Ganzhou) Company Limited ("Hydoo Estate (Ganzhou)") reached a tax settlement with local tax bureaus and subsequently paid RMB16,782,000 for certain prior years' CIT exposures.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging CIT and LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Administration of Taxation or any tax bureau of higher authority is remote.

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,177,782,000 (2012: RMB216,506,000) and the weighted average of 2,883,306,000 ordinary shares (2012: 2,414,858,000 shares after adjusting for the capitalisation issue in 2013) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2013	2012
Immediately after capitalisation issue	**2,649,744,000**	2,414,858,000
Effect of Global Offering and automatic conversion of preference shares	**233,562,000**	—
Weighted average number of ordinary shares at 31 December	**2,883,306,000**	2,414,858,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,347,053,000 (2012: RMB216,506,000) and the weighted average number of ordinary shares of shares of 3,423,092,000 shares (2012: 2,428,628,000 shares) calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2013	2012
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders of the Company	**1,177,782**	216,506
After tax effect of finance expense on redeemable convertible preference shares	**66,000**	—
After tax effect of change in fair value of embedded derivative on redeemable convertible preference shares	**103,271**	—
Profit attributable to ordinary equity shareholders of the Company (diluted)	**1,347,053**	216,506

(ii) Weighted average number of ordinary shares (diluted)

	2013	2012
	000	*000*
Weighted average number of ordinary shares at 31 December	**2,883,306**	2,414,858
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	**41,704**	13,770
Effect of conversion of redeemable convertible preference shares	**498,082**	—
Weighted average number of ordinary shares at 31 December (diluted)	**3,423,092**	2,428,628

For the year ended 31 December 2012, the effect of conversion of redeemable convertible preference shares was anti-dilutive.

7 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2013	2012
	RMB'000	*RMB'000*
Property development		
Properties under development for sale	**2,043,265**	1,369,488
Completed properties held for sale	**1,852,241**	872,558
Properties held for future development for sale	**1,495,128**	1,061,386
	5,390,634	3,303,432
Others		
Low-value consumption goods	**192**	114
	5,390,826	3,303,546

As at 31 December 2013, certain properties under development for sale and completed properties held for sale, properties held for future development for sale were pledged for certain bank loans granted to the Group (note 10).

During the year, the directors considered that all of the above properties were developed for sale, and none of them were specifically designated for earning rental or for capital appreciation or both. Accordingly, none of the properties were classified as investment properties at the end of each of the reporting period.

(b) Properties under development for sale in the consolidated statement of financial position comprise:

	2013	2012
	RMB'000	*RMB'000*
Expected to be recovered within one year	**852,921**	1,012,947
Expected to be recovered after more than one year	**1,190,344**	356,541
	2,043,265	1,369,488

(c) Completed properties held for sale in the consolidated statements of financial position comprise:

	2013	2012
	RMB'000	*RMB'000*
Expected to be recovered within one year	**1,262,194**	628,117
Expected to be recovered after more than one year	**590,047**	244,441
	1,852,241	872,558

(d) Properties held for future development for sale in the consolidated statement of financial position comprise:

	2013	2012
	RMB'000	*RMB'000*
Expected to be recovered after more than one year	**1,495,128**	1,061,386

(e) The analysis of carrying value of leasehold land included in properties under development for sale is as follows:

	2013	2012
	RMB'000	*RMB'000*
In the PRC, with lease term of 40 years or more:	**869,979**	875,408

8 Trade and other receivables, prepayments and deposits

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bills receivables	**12,893**	66,102	**—**	—
Prepaid business tax and other taxes	**124,883**	53,754	**—**	—
Deposits, prepayments and other receivables	**545,165**	788,721	**1,278,062**	1,790
Security deposit with a PRC financial institution (note i)	**—**	40,000	**—**	—
	682,941	948,577	**1,278,062**	1,790

Note (i) In relation to a trust loan provided by a PRC financial institutional, namely Ping An Trust Co., Ltd ("Ping An Trust") to the Group, Jining Hydoo Modern Logistics Company Limited ("Jining Hydoo Modern Logistics"), a wholly-owned subsidiary of the Group, is required to place a security deposit with Ping An Trust. According to the relevant agreement, the required level of security deposit would progressively increase from RMB10,000,000 to RMB600,000,000 over the term of the corresponding trust loan. As of 31 December 2012 and 2013, the balance of security deposit amounted to RMB40,000,000 and RMB nil respectively. The trust loan was settled in June 2013.

(a) **Ageing analysis**

As at the end of each reporting period, the ageing analysis of trade and bills receivables (net of allowance for doubtful debts) by due date is as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Current	**12,795**	66,102
Within 6 months	**98**	—
Trade and bills receivables, net of allowance for doubtful debts	**12,893**	66,102

The directors are of the view that all trade and bills receivables are neither individually nor collectively considered to be impaired as at 31 December 2013.

Trade and bills receivables are primarily related to proceeds from the sales of properties. Proceeds from the sales of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. If payment is made in lump-sum payment, settlement is normally required by date of signing the sales contract. If payment is made in instalments, 50% of the purchase price is required upon executing the contract with the balance payable by date of signing the contract.

9 Trade and other payables

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables (note i)	**1,267,036**	786,860	**—**	—
Receipts in advance (note ii)	**2,376,504**	750,918	**—**	—
Other payables and accruals (note iii)	**184,564**	154,637	**4,596**	4,570
Special dividend (note iv)	**—**	20,205	**—**	20,205
Total	**3,828,104**	1,712,620	**4,596**	24,775

Notes:

(i) Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Due within 1 month or on demand	**467,596**	224,490
Due after 1 month but within 3 months	**132,982**	222,359
Due after 3 months but within 6 months	**599,780**	199,670
Due after 6 months	**66,678**	140,341
	1,267,036	786,860

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones. The Group normally retains 2% to 10% as retention payment.

At 31 December 2013, included in trade payables are retention payables of RMB28,847,000 (2012: RMB27,106,000), which are expected to be settled after more than one year.

(ii) Receipts in advance primarily consisted of deposits and down payments from customers for purchases of the Group's properties. Such proceeds were recorded as current liabilities before the associated sales were recognised. Sales of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy.

(iii) At 31 December 2013, included in other payables and accruals are deposits of RMB23,962,000 (2012: RMB14,769,000), which are expected to be settled after more than one year. All of the other payables and accrued expenses are expected to be settled within one year.

(iv) Pursuant to the Investment Agreement with between Ping An Hawking China Opportunity Fund ILP ("Ping An Fund") and the Company, the Company is obliged to pay Ping An Fund a special dividend fixed at 14% of its subscription amount or HK$24,920,000 (equivalent to approximately RMB20,205,000) if non-occurrence of a qualified IPO within one year after the settlement date. At 31 December 2012, the amount was treated as a financial liability. Upon completion of the qualified IPO on 31 October 2013, the amount is reclassified to the capital reserve accordingly.

10 Bank loans and other borrowings

At 31 December 2013, the Group's bank loans and other borrowings were repayable as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Current		
Secured		
- short term bank loans and other borrowings	**70,000**	630,000
- current portion of secured non-current bank loans and other borrowings	**183,860**	43,000
Unsecured		
- short term bank loans	**28,000**	16,000
	281,860	689,000
Non-current		
Repayable after 1 year but within 2 years - secured	**181,000**	—
Repayable after 2 years but within 5 years - secured	**421,000**	60,000
	602,000	60,000
	883,860	749,000

Notes:

(i) Certain banking facilities and borrowings of the Group are subject to the fulfillment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratios; (2) restriction of profit distribution by certain of its operating subsidiaries; or (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold. These requirements are commonly found in lending arrangements with financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders as and when the directors foresee any non-compliance due to business needs.

(ii) At 31 December 2013, a bank loan of the Group totaling RMB130,200,000 (2012: nil) was not in compliance with the imposed covenants. Such non-compliance primarily relate to an operating subsidiary which failed to achieve certain statement of financial position ratio at the end of the reporting period. The directors of the Company are of the view that such bank loan is a non-current liability at 31 December 2013. Such view was based on a notice from the corresponding financial institution dated 31 December 2013, which confirmed that the subsidiary would not be regarded as having breached the covenant and the bank would not demand early repayment from the subsidiary.

At 31 December 2013, the bank loans and other borrowings were analysed as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Secured bank loans and other borrowings	**855,860**	733,000
Unsecured bank loans	**28,000**	16,000
	883,860	749,000

At 31 December 2013, certain secured bank loans of the Group totaling RMB168,660,000 (2012: RMB60,000,000) were guaranteed by a subsidiary of the Group and a third party company.

As at 31 December 2013, the bank loans and borrowings from other financial institutions are all denominated in functional currency of respective subsidiaries now comprising the Group.

Bank loans and other borrowings bear interest ranging from 6.40% to 17.00% per annum for the year ended 31 December 2013 (2012: 6.65% to 17.00% per annum), and are secured by the following assets:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Properties under development for sale	**722,620**	1,076,983
Completed properties held for sale	**460,535**	120,075
Properties held for future development for sale	**133,360**	—
Total	**1,316,515**	1,197,058

11 Deferred income

	The Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**524,583**	219,490
Movement during the year		
– Government grants recognised (i)	**957,753**	586,939
– Deferred revenue in relation to sale and operating leaseback arrangement (ii)	**2,527**	3,316
– Amortisation of government grants during the year	**(620,938)**	(285,162)
	863,925	524,583
Less: amount included under current liabilities	**(858,082)**	(521,267)
Amount included under non-current liabilities	**5,843**	3,316

Notes:

(i) Pursuant to the respective agreements between the Group and local governments, such grants are for subsidising the infrastructure construction of certain project undertaken by some of the Group's subsidiaries, namely Ningxiang Hydo Guangcai Trade Center Development Company Limited, Guangxi Yulin Modern Trade Center Development Company Limited, Jining Hydoo Logistics Center Development Company Limited, Mianyang West Modern Trade Center Development Company Limited, Ganzhou Hydoo Commercial and Trade Logistics Park Development Company Limited, Wuzhou Hydoo Commercial and Trade Center Development Company Limited, Yantai Hydoo International Commercial and Trade Center Company Limited and Heze Hydoo Commercial and Trade Center Company Limited. During the year ended 31 December 2013, the Group further recognised RMB957,753,000 (2012: RMB586,939,000) from the same government authorities for the Group's projects.

(ii) In conjunction with certain sale contracts entered into by Jining Hydoo Logistics Center Development Company Limited for sales of properties in 2012, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for terms of 3 to 10 years at agreed rental rates. Upon recognition of the sale of such properties, a portion of the sale proceeds, which represents the excess of sale price over fair value of such properties, is deferred and amortised over the respective lease terms. For the year ended 31 December 2013, the deferred revenue arising from such sale and leaseback arrangements amounted to RMB2,527,000 (2012: RMB3,316,000). The revenue (net of business tax and surcharge) recognised from sales of such properties amounted to RMB25,875,000 (2012: RMB59,632,000).

12 Redeemable convertible preference shares

	Carrying value *RMB'000*	Fair value *RMB'000*
At 31 December 2012:		
Redeemable convertible preference shares	581,412	608,524
Embedded derivative liabilities on redeemable convertible preference shares	292,502	292,502
	873,914	901,026
At 31 October 2013:		
Redeemable convertible preference shares	**633,683**	**633,683**
Embedded derivative liabilities on redeemable convertible preference shares	**388,333**	**388,333**
	1,022,016	**1,022,016**
Automatic conversion of Preference Shares upon completion of the Global Offering (notes (iii) and (v))	**(1,022,016)**	**(1,022,016)**
At 31 December 2013:	**—**	**—**

Pursuant to a share purchase agreement entered into between the Company, Most Trend Holding Limited, a company owned by the Controlling Shareholders, and an independent third party, Top Amuse Holdings Limited ("Top Amuse" or the "Preferred Shareholder"), the Company issued 12,500 redeemable convertible preference shares (the "Preference Shares") to Top Amuse for an aggregate purchase price of USD80.0 million on 5 July 2011.

The Preference Shares have the same voting rights as the ordinary shares and contain the following terms:

(i) Dividend rights

The holder of the Preference Shares is entitled to receive dividends, out of any funds legally available therefore, prior and in preference to any declaration or payment of any dividend on the ordinary shares. Such dividends shall accrue when, as and if declared by the board of the Company, and any declared but unpaid dividend shall be cumulative and non-compounding.

(ii) Conversion of Preference Shares and Cash redemption option

Each Preference Share shall be convertible, at the option of the holder thereof at any time, into such number of fully paid and non-assessable ordinary shares as is determined by dividing the subscription price by the then effective conversion price, which shall be calculated after adjustments of certain events.

At any time after the third anniversary date of issurance date of the Preference Shares, the Preferred Shareholder shall have the right to require the Company to redeem all or part of such outstanding Preference Shares at a redemption price equal to the proportionate purchase price per Preference Share plus an amount which would enable such Preferred Shareholder to achieve the annual return rate at 12%.

(iii) Automatic conversion feature

Each Preference Share shall be automatically converted by way of redemption of such Preference Shares and the issue fully paid of the ordinary shares at the conversion price at the time in effect immediately upon the earlier of (i) the consummation of a Qualified IPO, (ii) immediately prior to the closing of an acquisition by, merger or other combination with another entity where the Company is not the surviving entity where such surviving entity is listed on an internationally recognised stock exchange, or (iii) the date specified by written consent or agreement of the Preferred Shareholder.

(iv) The Preference Shares were recognised as an interest-bearing borrowing in accordance with the Group's accounting policy when the Preference Shares were issued. Subsequently, the Preference shares were stated at amortised cost.

The embedded derivative of the Preference Shares is measured at the end of each reporting period to the fair value. Such remeasurements are shown as part of finance costs in profit or loss.

(v) Upon completion of the Global Offering on 31 October 2013, the Preference Shares were automatically converted to equity. The fair value of the embedded derivative is measured based on the Option-Pricing Method and Convertible Bond Model.

13 capital and reserves

(a) Share capital

(i) Authorised and issued share capital

The Company was incorporated on 19 October 2010 with an authorised capital of US$50,000 divided into 50,000 ordinary shares with a par value of US$1.00.

On 5 July 2011, the authorised share capital of the Company was increased to US$62,500 divided into 50,000 ordinary shares and 12,500 Preferred Shares by the creation of 12,500 preferred shares of a par value of US$1.00 each.

The capital as at 31 December 2011 represents the issued share On 22 November 2012, the authorised share capital of the Company was increased to US$67,703 divided into 55,203 ordinary shares of a par value of US$1.00 each and 12,500 Preferred Shares of a par value of US$1.00 each, by the creation of an aggregate of 5,203 ordinary shares at a par value of US$1.00 each.

On 29 April 2013, the Company re-denominated its authorised share capital from US dollars into Hong Kong dollars. The Company authorised additional share capital of HK$80,000,000 by the creation of 6,522,960,000 ordinary shares with a par value of HK$0.01 per share and 1,477,040,000 preferred shares with a par value of HK$0.01 per share. The Company then repurchased all the outstanding US dollar ordinary shares and preferred shares at par. For each of the US dollar ordinary share/preferred share repurchased, the Company also issued to the shareholder 775 Hong Kong dollar ordinary shares/preferred shares at par. Immediately following the repurchase, the Company cancelled all the unissued US dollar ordinary shares and preferred shares. After the re-denomination and cancellation, the Company's issued capital comprises 42,782,325 ordinary shares and 9,687,500 preferred shares at a par value of HK$0.01 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued by share offer

The shares of the Company were listed on the Stock Exchange on 31 October 2013, with a total number of 4,018,000,000 shares, among which 768,256,000 shares were issued to the public at a price of HK$2.15 per share. On 27 November 2013, pursuant to a partial exercise of the over-allotment option in connection with the initial Global Offering, the Company further issued 11,950,000 ordinary shares of HK$0.01 each at a price of HK$2.15 per share. The gross proceeds received by the Company from the Global Offering were approximately HK$1,677,442,900.

(iii) Capitalisation issue

On 31 October 2013, 3,197,274,175 ordinary shares of HK$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of HK$31,972,742 (equivalent to approximately (RMB25,321,000) from the Company's share premium account.

(b) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy.

(iv) Equity settled share-based payment reserve

Equity settled share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments.

(v) Other reserve

Other reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition.

(c) Distributability of reserves

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB689,348,000 (2012: Nil). It represents the Company's share premium account of approximately RMB1,254,366,000 (2012: Nil) and accumulated losses of approximately RMB565,018,000 (2012: RMB387,017,000) in aggregate as at 31 December 2013, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(d) Capital management

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. The Group defines this ratio as total interest-bearing liabilities (includes bank loans and other borrowings and redeemable convertible preference shares) divided by total assets of the Group. At 31 December 2013, the gearing ratio of the Group was 8.0% (2012: 25.9%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) Dividends

	2013	2012
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK19.5 cents per ordinary share (2012: Nil)	**616,582**	—

The directors of the Company resolved on 24 March 2014 that a dividend of HK19.5 cents (or equivalent to approximately RMB15.3 cents) per share is to be distributed to the shareholders for 2013, subject to the approval of the shareholders at the coming Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(f) Non-controlling interests

(i) During the year ended 31 December 2013:

The non-controlling equity holder of Xingning Hydoo Commerce and Trade Center Company Limited injected another RMB4,000,000.

In January 2013, the Group acquired the 20% equity interest in Ganzhou Trade Center from the non-controlling equity holder for a consideration of RMB150 million, which was settled on 17 January 2013. The difference between the net identifiable assets at the settlement date of Ganzhou Trade Center and the consideration paid of RMB51,866,000 is recognised as Reserve – transactions with Non-Controlling Interests in the equity.

(ii) ***During the year ended 31 December 2012:***

The Group established Ganzhou Trade Center, a non-wholly owned subsidiary. The paid-up capital is RMB732,000,000, of which RMB100,000,000 was paid up by the non-controlling equity holder.

The Group established Xingning Hydoo Commerce and Trade Center Company Limited, a non-wholly owned subsidiary. The paid-up capital is RMB40,000,000, of which RMB8,000,000 was paid up by the non-controlling equity holder.

14 Commitments

(a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

As at 31 December 2013, the Group's commitments in respect of property development expenditure are as follows:

	2013	2012
	RMB'000	*RMB'000*
Contracted but not provided for	**1,223,694**	1,222,759

(b) At 31 December 2013, the total value minimum lease payments under non-cancellable operating lease are payable as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**13,893**	9,537
After 1 year but within 2 years	**12,373**	16,421
	26,266	25,958

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

15 Contingent liabilities

Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,482,069**	474,994

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

16 Material related party transactions

For the year ended 31 December 2013 and 2012, transactions with the following parties are considered to be related party transactions:

Name of party	Relationship
Shenzhen Howard Industrial Co., Ltd. (深圳市豪德實業有限公司*)	Associate company of the Controlling Shareholders *(note 1)*
Ji'An Trade Center Development Co., Ltd. (吉安貿易廣場開發有限公司*)	Entity controlled by the Controlling Shareholders *(note 1)*
Shenzhen Howard Investment Co., Ltd. (深圳市豪德投資有限公司*)	Entity controlled by the Controlling Shareholders *(note 1)*
Jincheng Howard Guangcai Trade Center Development Co., Ltd. (晉城豪德光彩貿易廣場開發有限公司*)	Entity controlled by the Controlling Shareholders *(note 1)*
Linyi Howard Guangcai Trade Center Development Co., Ltd. (臨沂豪德光彩貿易廣場開發有限公司*)	Entity controlled by the Controlling Shareholders *(note 1)*

Included in the balances as at 31 December 2013 and 2012 set out in note 16(c) are unsecured, interest free advance made to/from related parties of the Group.

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

Note 1 In 2012, the Controlling Shareholders transferred their equity interests in these entities to third parties. At 31 December 2012, these companies were no longer considered related parties to the Group.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Contribution to the defined benefit contribution retirement schemes	**137**	83
Wages, salaries and other benefits in kind	**20,213**	13,687
Equity settled share-based payments	**2,655**	2,868
	23,005	16,638

(b) Transactions with related parties

	2013	2012
	RMB'000	*RMB'000*
Receipts from related parties		
– the Controlling shareholders	**796**	3,039
– Shenzhen Howard Industrial Co., Ltd.	**—**	110,804
– Shenzhen Howard Investment Co., Ltd.	**—**	170,000
– Jincheng Howard Guangcai Trade Center Development Co., Ltd.	**—**	70,000
– Linyi Howard Guangcai Trade Center Development Co., Ltd.	**—**	20,000
– Ji'An Trade Center Development Co., Ltd	**—**	5,000
– Others	**—**	1,500
	796	380,343
Payments to related parties		
– the Controlling shareholders	**(228)**	(39,868)
– Shenzhen Howard Industrial Co., Ltd.	**—**	(58,674)
– Shenzhen Howard Investment Co., Ltd.	**—**	(170,000)
– Jincheng Howard Guangcai Trade Center Development Co., Ltd.	**—**	(70,000)
– Linyi Howard Guangcai Trade Center Development Co., Ltd.	**—**	(20,000)
– Ji'An Trade Center Development Co., Ltd	**—**	(5,000)
– Others	**(1,000)**	—
	(1,228)	(363,542)
Sales of properties to related parties	**607**	—

(c) Balances with related parties

	2013	2012
	RMB'000	*RMB'000*
Other receivable due from related parties		
– the Controlling shareholders	—	796
Other payable due to related parties		
– the Controlling shareholders	—	(228)
– other related parties	—	(1,000)
	—	(1,228)

(d) Applicability of the Listing Rules relating to connected transactions. None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in chapter 14A of the Listing Rules.

17 Non-adjustment event after the reporting period

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 13(e).

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Hydoo International Holding Limited, I am pleased to present the first annual results of the Group since the Company's successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The listing of the Company's shares on the Stock Exchange on 31 October 2013 was a key milestone to the development of the Company. With its unique market position, proven business model, strong execution capability, and extensive project development experience, the Group gained extensive recognition from both the public shareholders and investors. The Company's listing marked the first significant move in tapping into the global capital market and made a solid foundation for its future business expansion. I would like to express my gratitude to all our colleagues for their significant contributions to the Company.

RESULTS AND PROPOSED FINAL DIVIDEND

The Group recorded significant growth in its financial performance in FY2013, during which turnover and gross profit significantly increased to approximately RMB 4,756.5 million and approximately RMB 2,932.4 million, representing an increase of approximately 196.0% and 277.7% respectively. The turnover was mainly attributable to the revenue recorded from sales of properties in Ganzhou Trade Center, Mianyang Trade Center and Yulin Trade Center. Core operating net profit for FY2013 also rose to approximately RMB1,418.2 million representing a year-on-year increase of 291.0%. Basic earnings per share for FY2013 were RMB40.8 cents.

The Board proposed a final dividend of RMB15.3 cents per share (or equivalent to approximately HK19.5 cents per share) for FY2013, subject to our shareholders' approval at the Company's forthcoming annual general meeting ("**AGM**") to be held on 13 May 2014.

REVIEW OF MARKET TRENDS AND THEIR IMPACT ON THE GROUP

Our business is strategically positioned to benefit from two significant industry and regulatory trends in China – a shift in the government's urbanization focus from major cities to small and mid-sized cities and increasing government support for the development of wholesale trading markets. In a new national economic and social development strategy for the years 2011 to 2015 ("the **Twelfth Five-Year Plan**"), the PRC government announced its focus on the urbanization of small and mid-sized cities. We believe the urbanization of small and mid-sized cities will be one of the major drivers for China's economic growth in the coming decade. As widely known, more than half of China's population reside in small and mid-sized cities and smaller satellites. The urbanization of these cities will require a more streamlined flow of goods, the creation of efficient wholesale network and a significant increase in domestic consumption - changes that our trade center projects are well positioned to facilitate. We have received strong support from various government authorities, reflecting the scale of our trade center projects and our compelling value propositions

Additionally, as part of the Twelfth Five-Year Plan, the Chinese government adopted a policy to increase domestic consumption and explicitly stated its plan to promote integrated wholesale trading markets and large-scale trade and logistics enterprises. Such favorable market and political environment has created much stronger demand for integrated logistics and trade centers during FY2013.

BUSINESS MODEL

Our business focuses on the development and operation of large-scale trade centers in third-and fourth-tier, and selected second-tier, cities in China. We generate substantially all our turnover through the sales of properties.

From our experience, when small and medium sized enterprises (the "**SMEs**") relocate to new trade centers, they prefer to own properties to conduct their business instead of leasing such properties. We plan the early stages of our development projects to consist primarily of properties for sale, such as wholesale trading market units, and focus to sell the vast majority of our properties at reasonable prices to SMEs in these regions and try to reduce sales to customers for investment purpose as much as possible. These SMEs will actively conduct businesses at our trade centers, and as such, create a lively and bustling commercial environment. This supports the continued growth of our customers' businesses and is the foundation of our projects' later development phases. We also believe this contributes to the value appreciation of their purchased properties. Sales proceeds from the earlier stages of our development projects provide a good source of working capital for the later stages of our development projects.

The success of our initial-stage sales and the development of an active trading environment also allows us to increase the sales and lease prices of our properties and capture higher property value in later development stages. Following a lively and bustling early-stage development environment, we plan to retain a proportion of trade center properties in the later development phases as investment properties for long-term recurring income and capital appreciation.

REVIEW OF FY2013 PERFORMANCE

During the year under review, we developed new projects in fast growing small and mid-sized cities in China in a bid to achieve sustainable business growth.

LAND ACQUISITION AND LAND BANK

In FY2013, we have entered into master investment agreements with local government authorities regarding two new trade center projects, namely Yantai Trade Center and Lanzhou Trade Center. We also acquired land-use rights with an aggregate site area of 1.6 million sq.m., which is expected to have an aggregate estimated GFA of approximately 2.1 million sq.m. In addition to the recent developments as set out in the section headed "Business - Our Trade Center Projects - Recent Development" in the prospectus of the Company dated 18 October 2013 (the "**Prospectus**"), from 1 October 2013 to 31 December 2013, we acquired land-use rights with aggregate site area of 0.3 million sq.m. for Phase II in Mianyang Trade Center. As of 31 December 2013, we had a total land bank of 7.8 million sq.m., and we were simultaneously developing ten trade center projects in seven provinces and autonomous regions in China.

SALES PERFORMANCE AND PROPERTY DELIVERY

Benefitting from the massive increase in saleable resources, the Group's contracted sales and contracted sales area achieved record high in FY2013. During the year under review, the Group's contracted sales and contracted sales area reached RMB7,004.6 million and 894,182 sq.m. respectively, representing increases of 436.3% and 271.9% respectively.

During the year under review, the Group also delivered properties with a total GFA amounting to approximately 694,000 sq.m., representing an increase of 95.1%. The significant increase in the Group's turnover and gross profit during the year under review to approximately RMB 4,756.5 million and approximately RMB 2,932.4 million, respectively, demonstrates our successful operating strategies and our strong execution capabilities.

STRONG FINANCIAL POSITION

We have a build-to-sell business model in the early stage of project development and a short development cycle, leading to an efficient turnover rate and a lower need for capital investments. This helps us to achieve a high financial leverage level. As of 31 December 2013, our bank loans and other borrowings were RMB883.9 million and we had a net cash position of RMB 3,512.2 million. Our net cash position can help to reduce our operation risk, provide funding for our investment in new projects, and allow leverage for external financing.

PROSPECTS

Our prospects are even brighter than our past achievements. We plan to strategically expand our geographic presence by entering into additional third-and fourth-tier, and selected second-tier, cities with rapid economic growth and the need for large-scale trade center projects. We plan to commence at least two to three new projects every year. By focusing on developing trade centers in rapidly-growing third-and fourth-tier, and selected second-tier, cities, we seek to assist local governments in further stimulating the growth of local commerce, facilitating urbanization and, ultimately, upgrading and transforming cities.

Steady and sustainable development of our business is the consistent practice of our Group. Based on our abundant salable resources, we estimate our contracted sales to be RMB8,500 million to RMB9,500 million by the end of financial year 2014. We remain optimistic about the long-term development of trade and logistics centers in China in light of the new urbanization strategies promulgated in the Twelfth Five-Year Plan. Leveraging our proven business model, extensive industry experience and ample potential development opportunities, we believe we can capture such favourable opportunities in the future in order to bring greater value to our shareholders.

2014 is widely believed to be a year of internet and offline enterprises integration. As an enterprise conventionally focusing on offline transactions, the Group is determined to embrace the internet market development and integrate into the new, growing online trading economy. Our customers for our projects are primarily local SME owners, and thousands of these SME owners conduct offline transactions daily in our completed trade and logistics centers. Also, considering the further transactions that each of these owners would have with dozens of its downstream small and medium-sized retailers, we decided to launch Hydoo Technology, introducing new internet market concepts and technology, building up an online platform, and improving our membership and transaction information systems. Leveraging on our solid role in facilitating offline transactions in our trade centers, going forward, we strive to merge the offline and online transactions seamlessly with a goal of providing more value-added services to numerous SME owners in our trade centers, and, in turn, bringing more successes to the Group in the future. Further, witnessing the rapid growth of the internet trading market, we note the importance of forming cooperations with strategic partners in this aspect and are actively exploring opportunities to collaborate with leading e-commerce companies. We believe that the business expansion by e-commerce companies into third and fourth-tier cities will also provide new development opportunities for our trade and logistics center business, particularly given each of our projects under planning has reserved land for storage and logistics purpose, we trust that we can facilitate our strategic partners to establish a nationwide network of storage and logistics centers.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our valued shareholders, customers and business partners for their trust and support. I would also like to thank all our staff for their important contribution and wholehearted commitment.

Wong Choihing
Chairman

Hong Kong, 24 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of FY2013 performance

The Group's business is strategically positioned to benefit from two significant industry and regulatory trends – a shift in Chinese government's urbanization focus from major cities to small and mid-sized cities and increasing government support for the development of wholesale trading markets. In the Twelfth Five-Year Plan, the PRC government announced its focus on the urbanization of small and mid-sized cities. Additionally, as part of the Twelfth Five-Year Plan, the Chinese government adopted a policy to increase domestic consumption and explicitly stated its plan to promote integrated wholesale trading markets and large-scale trade and logistics enterprises. Such favorable market and policy environment has created much stronger demand for integrated wholesale trading centers during FY2013.

Land acquisition and land bank

In FY2013, the Group developed new projects in fast growing small and mid-sized cities in China in a bid to achieve sustainable business growth. In FY2013, we have entered into master investment agreements with local government authorities regarding two new trade center projects, namely Yantai Trade Center and Lanzhou Trade Center. We also acquired land-use rights with an aggregate total site area of 1.6 million sq.m., which is expected to have an aggregate estimated GFA of approximately 2.1 million sq.m. In addition to the recent developments as set out in the the section headed "Business - Our Trade Center Projects - Recent Development" in the Prospectus, from 1 October 2013 to 31 December 2013, we acquired land-use rights with aggregate site area of 0.3 million sq.m. for Phase II in Mianyang Trade Center. As of 31 December 2013, we had a total land bank of 7.8 million sq.m., and we were simultaneously developing ten trade center projects in seven provinces and autonomous regions in China.

Details of land bank for each project are shown in the table below:

	Actual GFA of completed properties *(sq.m.)*	Estimated GFA of properties under development *(sq.m.)*	Estimated GFA of properties planned for future development *(sq.m.)*	Land bank *(sq.m.)*
Ningxiang	106,648	61,518	N/A	168,166
Jining	124,088	184,563	594,360	903,011
Yulin	88,674	54,744	409,574	552,992
Mianyang	76,874	205,732	109,574	392,180
Ganzhou	175,137	250,342	2,806,735	3,232,214
Wuzhou	N/A	472,136	612,880	1,085,016
Heze	N/A	237,785	373,824	611,609
Xingning	N/A	48,255	145,903	194,158
Yantai	N/A	N/A	204,400	204,400
Lanzhou	N/A	N/A	479,577	479,577
Haode Yinzuo	10,480	N/A	N/A	10,480
Total	581,901	1,515,075	5,736,827	7,833,803

Sales performance and property delivery

In FY2013, the Group delivered properties with a total GFA amounting to approximately 694,000 sq.m., representing an increase of 95.1% (2012: 355,741 sq.m.). The significant increase in the Group's revenue and gross profit to approximately RMB4,756.5 million and approximately RMB 2,932.4 million respectively, demonstrates our successful and proven business model in China and our strong execution capabilities. In FY2013, the Group also recorded contracted sales of approximately RMB7,004.6 million and contracted sales area of 894,182 sq.m., representing increases of 436.3% and 271.9% respectively. Details on contracted sales during the year under review are shown in the table below:

	Contracted sales area	Average contracted sales price (before deduction of business tax)	Contracted sales amount (before deduction of business tax)	Project contribution (%)[1]
	(contracted sales area in sq.m., average contracted sales price in RMB per sq.m. and contracted sales amount in thousands of RMB)			
Ganzhou Trade Center				
Wholesale trading market units	500,440	8,611	4,309,283	61.5%
Shopping mall	34,147	15,856	541,422	7.7%
Mianyang Trade Center				
Wholesale trading market units	212,903	6,266	1,334,063	19.0%
Jining Trade Center				
Wholesale trading market units	82,726	4,520	373,960	5.3%
Shopping mall	894	6,739	6,024	0.1%
Yulin Trade Center				
Wholesale trading market units	9,583	5,664	54,279	0.8%
Shopping mall	35,521	8,607	305,726	4.4%
Ningxiang Trade Center				
Wholesale trading market units	9,621	4,357	41,915	0.6%
Bus terminal and information center	5,302	4,030	21,366	0.3%
Serviced apartments	3,045	5,424	16,516	0.3%
Total	894,182	7,833	7,004,554	100%

Note:

(1) Project contribution (%) is calculated by dividing the contracted sales amount (before deduction of business tax) by the total contracted sales amount (before deduction of business tax) and then multiplying by 100%.

Strong financial position

We have a build-to-sell business model in the early stage of project development and a short development cycle, leading to an efficient turnover rate and a lesser need for capital investments. This helps us to achieve a healthy financial leverage level. As of 31 December 2013, our bank loans and other borrowings were RMB883.9 million and we had a net cash position of RMB 3,512.2 million. Our net cash position can help to reduce our operation risk, provide funding for our investment in new projects, and allow leverage for external financing.

Ningxiang Trade Center

Ningxiang Trade Center is located approximately 3 kilometers west of Ningxiang's city center, a county in Changsha, the capital of Hunan province. Highway 319 runs along the eastern edge of the Ningxiang Trade Center and provides Ningxiang with convenient access to other key cities in Hunan, such as Changsha, Zhuzhou and Xiangtan.

Ningxiang Trade Center is planned to cover a site area of 1.3 million sq.m., and has an aggregate estimated GFA of approximately 1.2 million sq.m., which is expected to be developed in three phases. As of 31 December 2013, we had acquired land-use rights for all of Phase I encompassing a total site area of 301,387 sq.m. and expect a total GFA of 443,467 sq.m. upon full completion of Phase I.

As of 31 December 2013, we completed the construction of wholesale trading markets, a freight-forwarding market, a commercial and exhibition center, warehouses, a bus terminal and information center, serviced apartments and had a hotel under construction at this trade center project.

Jining Trade Center

Jining Trade Center is located approximately 6 kilometers west of Jining, a prefecture-level city in southwestern Shandong province, and is one of the three major industrial bases in Shandong province. It is easily accessible by a number of connecting bus lines, and lies within 10 kilometers of the Jining train station and 30 kilometers of Jining Qufu airport.

Jining Trade Center is planned to cover a site area of approximately 2.0 million sq.m., and has an aggregate estimated GFA of approximately 3.0 million sq.m., which is expected to be developed in three phases. As of 31 December 2013, we had acquired land-use rights for all of Phase I and Phase II encompassing a total site area of 975,863 sq.m. and expect a total GFA of 1,202,798 sq.m. for Phase I and Phase II when fully completed.

As of 31 December 2013, we completed the construction of wholesale trading markets and a shopping mall, were constructing a commercial center, a hotel and an office building, and had warehouses, serviced apartments, office buildings, a residential area and additional wholesale trading markets planned for future development at this trade center project.

Yulin Trade Center

Yulin Trade Center is located approximately 2 kilometers from Yulin, the fourth largest city in Guangxi, located along the border with Guangdong province. The trade center's northern edge is bounded by Yulin Second Ring Road. It is 3 kilometers from Guang-Kun Freeway and is within 10 kilometers of Yulin train station.

Yulin Trade Center is planned to cover a site area of approximately 1.1 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in three phases. As of 31 December 2013, we had acquired land-use rights for all of Phase I and a portion of Phase II encompassing a total site area of 415,868 sq.m. with a total planned GFA of approximately 693,538 sq.m. upon full completion of Phase I and Phase II development.

As of 31 December 2013, we completed the construction of wholesale trading markets and shopping malls, were constructing an additional shopping mall, and had additional wholesale trading markets, serviced apartments, shopping malls, a hotel, an office building and additional wholesale trading markets planned for future development at this trade center project.

Miangyang Trade Center

Miangyang Trade Center is strategically located in Mianyang, the second largest city in Sichuan Province, approximately 120 kilometers northeast of Chengdu, the capital of Sichuan province, along the key highway and railway that connects Sichuan province and western and northern China.

Mianyang Trade Center is planned to cover a site area of approximately 0.9 million sq.m. and has an aggregate estimated GFA of approximately 1.0 million sq.m., which is expected to be developed in two phases. As of 31 December 2013, we had acquired land-use rights for all of Phase I and a portion of Phase II encompassing a total site area of 605,084 sq.m. with a planned total GFA of approximately 567,891 sq.m. upon full completion of Phase I and Phase II development.

As of 31 December 2013, we completed the construction of wholesale trading markets, were constructing a commercial pedestrian street and additional wholesale trading markets and had certain supporting buildings and facilities and additional wholesale trading markets planned for future development at this trade center project.

Ganzhou Trade Center

Ganzhou Trade Center is strategically located in southwestern Jiangxi province near the intersection of Jiangxi, Hunan and Guangdong provinces. Ganzhou lies along a major transportation route connecting the inland areas of China with China's southeastern coast. Two major railways intersect in Ganzhou, the Jing-Jiu Railway and the Gan-Long Railway.

Ganzhou Trade Center covers a net land area of approximately 1,475,298 sq.m., which is estimated to consist of at least two phases, and is estimated to have a total GFA of approximately 3.6 million sq.m. when fully completed. As of 31 December 2013, we had acquired all the land-use rights.

As of 31 December 2013, we completed the construction of wholesale trading markets and we were constructing shopping malls and additional wholesale trading markets, and had a commercial and exhibition center, shopping malls, a food street, warehouses, bus terminal and shipping depot, office buildings, residential area, hotels and additional wholesale trading markets, planned for future development at this trade center project.

Wuzhou Trade Center

Wuzhou Trade Center is strategically located in Wuzhou, a city in eastern Guangxi near the border of Guangxi and Guangdong province. It is approximately 370 kilometers east of Nanning, the capital of Guangxi, and approximately 270 kilometers west of Guangzhou, the capital of Guangdong province.

Wuzhou Trade Center is planned to cover a site area of approximately 1.3 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in two phases. As of 31 December 2013, we had acquired land-use rights for all of Phase I encompassing a total site area of 599,642 sq.m. with a total GFA of 1,085,016 sq.m. upon full completion of Phase I development.

As of 31 December 2013, we were constructing certain supporting buildings and facilities, wholesale trading markets, a commercial and exhibition center, shopping malls and had a residential area, office buildings and a hotel planned for future development at this trade center project.

Heze Trade Center

Heze Trade Center is located in the city's central Mudan District along National Highway 220 and is approximately two kilometers from Heze's city center.

Heze Trade Center is planned to cover a site area of approximately 8.0 million sq.m. and has an aggregate estimated GFA of approximately 12.0 million sq.m. which is expected to be developed in three phases. As of 31 December 2013, we had acquired land-use rights for a portion of Phase I encompassing a total site area of 392,280 sq.m. with a total GFA of approximately 611,609 sq.m. upon completion of development.

As of 31 December 2013 we were constructing wholesale trading markets, and had shopping malls, office buildings, a residential area, certain supporting buildings and facilities and additional wholesale trading markets planned for future development at this trade center project.

Xingning Trade Center

Xingning Trade Center is located to the northeast of the Xingning Train Station in Xingning's Diaofang township. Xingning is a city of Meizhou city, in northeast Guangdong province near Jiangxi and Fujian provinces, which is accessible by major national highways connecting Guangdong and various other provinces in China.

Xingning Trade Center is planned to cover a site area of approximately 1.3 million sq.m. with a total GFA of approximately 2.0 million sq.m. which is expected to be developed in three phases. As of December 31, 2013, we had acquired land-use right for portion of Phase I encompassing a total site area of 170,509 sq. m. with a total GFA of 194,158 sq. m. upon full completion of development.

As of 31 December 2013, we were constructing wholesale trading markets and certain supporting buildings and facilities, and had additional wholesale trading markets and office buildings planned for future development at this trade center project.

Yantai Trade Center

Yantai Trade Center is located in southern Zhifu District of Yantai City, west of Shenhai Highway, 9 kilometers north of Yantai railway station, east of the Yantai wharf and 9.5 kilometers south of the Laishan International Airport and Rongwu Highway. The location of Yantai Trade Center has exceptional geographical and transportation advantages.

Yantai Trade Center is planned to cover a site area of approximately 1.3 million sq.m. with a total GFA of approximately 2.4 million sq.m. which is expected to be developed at least in two phases. As of 31 December 2013, we had acquired land-use rights for portion of Phase I encompassing a total site area of 44,233 sq.m. with a total GFA of 204,400 sq.m. upon full completion of development.

As of 31 December 2013, wholesale trading markets, office buildings, certain supporting buildings and facilities, serviced apartments and shopping malls were planned at this trade center project in the future.

Lanzhou Trade Center

Lanzhou Trade Center is located in Lanzhou's Heping township, the middle of Lanzhou City and Yuzhong County and next to the community of Lanzhou colleges. It is located in the south of Qinglan Highway and National Road 312 and the north of National Road 309, and is approximately 15 kilometers from downtown Lanzhou City, 20 kilometers and 80 kilometers from the railway station and airport of Lanzhou City, respectively.

Lanzhou Trade Center is planned to cover a site area of approximately 4.0 million sq.m. with a total GFA of approximately 6.0 million sq.m which is expected to be developed at least in two phases. As of December 31, 2013, we had acquired land-use rights for portion of Phase I encompassing a total site area of 318,380 sq.m. with a total GFA of 479,577 sq.m. upon completion of development.

As of 31 December 2013, wholesale trading markets, shopping malls and parking lots were planned for future development at this trade center project.

FINANCIAL REVIEW

DISCUSSION OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS ITEMS

Turnover

Turnover increased by RMB3,149.4 million, or 196.0%, from RMB1,607.1 million for FY2012 to RMB4,756.5 million for FY2013. This increase was primarily derived from an increase in revenue from sales of properties. The following table sets forth our turnover from sales of properties, property management services and rental income during the periods indicated.

	For the year ended 31 December			
	2013		2012	
	Turnover *(RMB'000)*	*%*	Turnover *(RMB'000)*	*%*
Sales of properties	**4,748,766**	**99.8%**	1,605,907	99.9%
Property management services	**7,027**	**0.2%**	847	0.1%
Rental income	**671**	**0.0%**	360	0.0%
Total	**4,756,464**	**100.0%**	1,607,114	100.0%

Sales of properties

Revenue from sales of properties increased by RMB3,142.9 million, or 195.7%, from RMB1,605.9 million for FY2012 to RMB4,748.8 million in FY2013. Our revenue from sales of properties for FY2013 was primarily derived from the sales of wholesale trading market units at our Ganzhou Trade Center, Mianyang Trade Center and shopping mall space at our Yulin Trade Center.

The following table sets forth the GFA, average sales price and revenue from properties delivered during the periods indicated:

	For the year ended December 31					
	2013			2012		
	GFA	**Average sales price**	**Revenue**	GFA	Average sales price	Revenue
	GFA in sq.m., average sales price in RMB per sq.m. and revenue in thousands of RMB					
Ganzhou Trade Center						
Wholesale trading market units	**334,125**	**8,102**	**2,707,127**	—	—	—
Subtotal	**334,125**	**N/A**	**2,707,127**	—	N/A	—
Mianyang Trade Center						
Wholesale trading market units	**175,711**	**5,822**	**1,023,023**	—	—	—
Subtotal	**175,711**	**N/A**	**1,023,023**	—	N/A	—
Yulin Trade Center						
Wholesale trading market units	**25,081**	**5,051**	**126,692**	62,457	4,828	301,567
Shopping mall	**53,008**	**8,182**	**433,737**	—	—	—
Subtotal	**78,089**	**N/A**	**560,429**	62,457	N/A	301,567
Jining Trade Center						
Wholesale trading market units	**85,363**	**4,200**	**358,541**	198,447	4,108	815,246
Shopping mall	**3,506**	**6,591**	**23,108**	12,471	6,243	77,855
Subtotal	**88,869**	**N/A**	**381,649**	210,918	N/A	893,101
Ningxiang Trade Center						
Wholesale trading market units	**7,687**	**4,322**	**33,226**	44,833	3,786	169,757
Bus terminal and information center	**5,302**	**3,808**	**20,191**	—	—	—
Serviced apartments	**3,045**	**5,126**	**15,608**	—	—	—
Subtotal	**16,034**	**N/A**	**69,025**	44,833	N/A	169,757
Other Properties						
Shui'an Xintian	**—**	**—**	**—**	535	3,908	2,091
Haode Yinzuo	**1,172**	**6,410**	**7,513**	36,998	6,470	239,391
Subtotal	**1,172**	**N/A**	**7,513**	37,533	N/A	241,482
Total	**694,000**	**N/A**	**4,748,766**	355,741	N/A	1,605,907

The GFA of properties sold increased by 338,259 sq.m., or 95.1%, from 355,741 sq.m. for FY2012 to 694,000 sq.m. for FY2013. The increase in the GFA of properties sold was primarily from the partial delivery of wholesale trading market units at our trade center projects in Ganzhou and Mianyang and shopping mall at our Yulin Trade Center in FY2013.

The average sales price of our wholesale trading market units increased during the same period, primarily due to a change of product mix in 2013. In particular, the average sales price of wholesale trading market units sold at Ganzhou and Mianyang Trade Center was generally higher than the price of similar properties sold in 2012, mainly at Jining Trade Center and Yulin Trade Center.

Property management services

Revenue from property management services increased by RMB6.2 million, from RMB0.8 million for FY2012 to RMB7.0 million for FY2013. The increase of revenue from property management services primarily reflected the continued expansion of our property management portfolio, including our acquisition of a 51% equity interest in Ganzhou Jiuzhi which further increased the scope of our property management service operations.

Rental income

Revenue from rental income increased by RMB0.3 million, or 75.0%, from RMB0.4 million for FY2012 to RMB0.7 million for FY2013. The increase in FY2013 was primarily derived from the earnings of certain office space at Haode Yinzuo.

Cost of Sales

Cost of sales increased by RMB993.3 million or 119.6%, from RMB830.8 million for FY2012 to RMB1,824.1 million for FY2013. The increase of cost of sales was generally in line with our increase in turnover during the same periods.

Cost of properties sold increased by RMB988.2 million, or 119.2%, from RMB829.3 million for FY2012 to RMB1,817.5 million for FY2013, primarily reflecting increases in GFA sold. In particular, (i) our construction costs increased by RMB1,033.7 million, or 124.6%, from RMB829.6 million for FY2012 to RMB1,863.3 million for FY2013, (ii) our land acquisition costs increased by RMB226.0 million, or 81.8%, from RMB276.2 million for FY2012 to RMB502.2 million for FY2013, and (iii) our government grants credited to cost of sales increased by RMB335.7 million, or 117.7%, from RMB285.2 million for FY2012 to RMB620.9 million for FY2013. The increase in major components of our cost of sales reflected our increase in sales of properties and the expansion of business scale.

Gross Profit

As a result of the foregoing, gross profit increased by RMB2,156.1 million, or 277.7%, from RMB776.3 million for FY2012 to RMB2,932.4 million for FY2013. Our gross profit margin increased from 48.3% for FY2012 to 61.6% for FY2013. The increase in our gross profit margin for FY2013 compared to FY2012 was primarily due to a higher proportion of revenue being generated from Ganzhou Trade Center of our overall revenue in FY2013, which yielded a relatively higher gross profit margin compared to that of Jining Trade Center and Yulin Trade Center which contributed to a significant portion of our gross profits in 2012.

Other Revenue

We recorded a dividend income of RMB4.0 million in connection with a 10% minority investment made to a local rural credit cooperative institution in Mianyang in FY2013.

Other net income/(loss)

Other net income in FY2013 represents net gains on disposal of available-for-sale investments.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB67.3 million, or 108.2%, from RMB62.2 million for FY2012 to RMB129.5 million for FY2013. The increase primarily reflected an increase in advertisement expenses and staff compensation. Such increases were generally in line with our increase in turnover during this period. The selling and distribution expenses as percentage of turnover decreased from 3.9% in the FY2012 to 2.7% in FY2013, primarily reflecting our continued efforts to enhance operating efficiency and our capability in managing our sales and marketing activities.

Administrative Expenses

Administrative expenses increased by RMB124.8 million, or 66.5%, from RMB187.7 million for FY2012 to RMB312.5 million for FY2013. The increase primarily reflected increases in staff-related expenses and professional service fees. The increases were primarily due to (i) a significantly higher level of administrative expenses incurred to support our growing operational scale in FY2013 compared to FY2012, and (ii) an increase of professional service fees incurred in FY2013 in relation to the Global Offering. Our administrative expenses as a percentage of turnover decreased from 11.7% in FY2012 to 6.6% in FY2013. This decrease reflected our continued efforts to enhance operating efficiency in managing our administrative activities.

Other Operating Expenses

Other operating expenses increased by RMB16.5 million, from RMB6.6 million for FY2012 to RMB23.1 million for FY2013. Other operating expenses primarily consisted of charity donations and sponsorships made at our headquarters level as well as geographic regions where we have operations or intended to enter into. The increase in FY2013 primarily reflected charity donations and sponsorships for events in Yulin and Ganzhou. Our other operating expenses represented 0.4% and 0.5%, of our turnover in FY2012 and FY2013, respectively.

Share of Loss of a Joint Venture

We had a share of loss of a joint venture of RMB3.1 million in FY2012, which was recorded in connection with our investment in Ganxian Haode Highway Construction Co., Ltd., an entity in which we held a 60% equity interest. We disposed of such equity interest in June 2012.

Finance Income

Our finance income increased by RMB9.7 million, from RMB1.4 million for FY2012 to RMB11.1 million for FY2013. The increase reflected an increase in interest income on our bank deposit as a result of the increase in bank deposit during the same period.

Finance Costs

Our finance costs decreased by RMB3.0 million, or 4.1%, from RMB73.2 million for FY2012 to RMB70.2 million for FY2013. The decrease primarily reflected a decrease of RMB5.4 million in finance expenses recorded on our Preferred Shares issued to Hony Capital Fund 2008, L.P. ("**Hony Capital**") offset by an increase of foreign exchange loss of RMB2.1 million recorded in FY2013. Substantially all of the interest expenses paid on bank loans and other borrowings in FY2013 were capitalized into properties under development.

Change in Fair Value of Embedded Derivative on Preferred Shares

We recorded a charge of RMB103.3 million for the FY2013, compared to a charge of RMB292.3 million for FY2012, reflecting changes in the fair value of embedded derivative on the Preferred Shares we issued to Hony Capital in 2011. All preferred shares were converted into ordinary shares upon the listing of the Company's shares on the Stock Exchange.

Gain on disposal of a subsidiary

We recorded a gain on disposal of a subsidiary of RMB306.6 million in FY2012 in connection with our disposal of our Harbin Trade Center project. We did not have any disposal of subsidiaries in FY2013.

Income Tax

Our income tax expense increased by RMB903.4 million, from RMB245.5 million for FY2012 to RMB1,148.9 million for FY2013. Such increase primarily reflected a significant increase in taxable income as a result of the revenue generated from sales of properties in our trade centers.

Profit for the Year

As a result of the foregoing, our profit increased by RMB961.2 million, or 447.5%, from RMB214.8 million in FY2012 to RMB1,176.0 million in FY2013.

DISCUSSION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Trade and Other Receivables

Our trade and other receivables primarily consist of deposits, prepayments and other receivables and prepaid business tax and other taxes. The following table sets forth the major components of our trade and other receivables as of the dates indicated.

	As of 31 December *(RMB'000)*	
	2013	2012
Deposits, prepayments and other receivables	**545,165**	788,721
Prepaid business tax and other taxes	**124,883**	53,754
Trade and bills receivables	**12,893**	66,102
Security deposit with a PRC financial institution *(Note)*	**—**	40,000
Total	**682,941**	948,577

Note: This relates to a security deposit made in relation to our repayment of a loan from Ping An Trust Co., Ltd.

Deposits, prepayments and other receivables primarily represent development expenditures incurred in connection with properties planned for future development for which we have not yet obtained land-use rights certificates, and other receivables due from parties other than our trading customers. In particular, our deposits, prepayments and other receivables for FY2013 primarily related to our expenditures incurred in connection with additional properties planned for future development for which we had not yet obtained land-use rights certificates at the trade center projects in Lanzhou and Yantai.

Restricted Cash

Restricted cash amounted to RMB103.0 million for FY2013 compared to RMB22.4 million for FY2012. Restricted cash in FY2013 primarily represented the cash we pledged to commercial banks for relevant mortgage facilities granted to our customers for the purpose of purchasing property by our customers. Pledged cash generally represents 2-10% of the total credit provided by commercial banks. The increase in our restricted cash in FY2013 primarily reflected the increase in property sales obtaining mortgage loans provided by commercial banks to our customers which are subject to the cash pledge arrangement described above during this period.

Trade and Other Payables

Trade and other payables primarily consist of receipts in advance and trade payables. The following table sets forth the major components of our trade and other payables as of the dates indicated.

	As of 31 December *(RMB'000)*	
	2013	2012
Trade Payables	**1,267,036**	786,860
Receipts in advance	**2,376,504**	750,918
Other payables and accruals	**184,564**	154,637
Special dividend	**—**	20,205
Total	**3,828,104**	1,712,620

Trade payables mainly represent amounts due to construction contractors and payables recorded in connection with our acquisition of land-use rights. Our payment to construction contractors is generally made in installments according to pre-agreed payment milestones as set out in the construction contracts. We generally fully settle the payment to construction contractors within one month, except that we normally retain 2-10% of the contract amount to cover any damages as a result of any construction defects. Such retention money payables are generally settled one year after the completion of the construction work. The increase in our trade payables balance from FY2012 to FY2013 primarily reflected increases of amounts due to construction contractors relating to construction work at our trade center projects in Ganzhou and Heze.

Receipts in advance primarily consist of proceeds from property pre-sales paid by our customers before relevant properties are delivered to our customers. Such proceeds received are recognized as turnover when the construction of the relevant properties is completed and the properties are delivered to purchasers. The significant increase in our balance of receipts in advance from FY2012 to FY2013 was due to the proceeds received in connection with the pre-sales of properties at our trade center projects in Ganzhou and Mianyang in FY2013, partially offset by the delivery of properties at trade center projects in Yulin and Jining.

Deferred Income

Deferred income as of a period end primarily represents the total amount of government grants recognised prior to such date after netting off the portion of the government grants that have been credited to cost of sales prior to such date. During FY2013 and FY2012, we recognised government grants of RMB957.8 million and RMB586.9 million, respectively. During the same periods, RMB620.9 million and RMB285.2 million were credited to cost of properties sold, respectively. As a result, our deferred income amounted to RMB863.9 million and RMB524.6 million as of 31 December 2013 and 31 December 2012, respectively. Our government grants recognised in FY2013 and FY2012 were primarily related to development activities at the Jining, Ganzhou and Yantai Trade Centers.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for construction costs and land acquisition costs, fund working capital, service our indebtedness, purchase property, plant and equipment for our own use. To date, we have primarily financed our operational expenditures through internally generated cash flows including proceeds from the pre-sales and sales of properties, equity investments made by our pre-IPO investors, borrowings from commercial banks and other financial institutions and proceeds from our initial public offering.

Cash Flow

In FY2013, we had RMB4,293.0 million in cash and cash equivalents. The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

Selected consolidated cash flow statement data

	For the year ended 31 December *(RMB'000)*	
	2013	2012
Net cash generated from/(used in) operating activities	**2,405,129**	(1,087,583)
Net cash generated from investing activities	**112,742**	194,405
Net cash generated from financing activities	**1,203,939**	1,044,213
Net increase in cash and cash equivalents	**3,721,810**	151,035
Cash and cash equivalents at 1 January	**584,379**	436,941
Effect of foreign exchange rate changes	**(13,195)**	(3,597)
Cash and cash equivalents at 31 December	**4,292,994**	584,379

Bank Loans and Other Borrowings

The following table sets forth our outstanding bank loans and other borrowings as of the dates indicated.

	The Group	
	2013	2012
	(RMB'000)	(RMB'000)
Current		
Secured		
- short term bank loans and other borrowings	**70,000**	630,000
- current portion of secured non-current bank loans and other borrowings	**183,860**	43,000
Unsecured		
- bank loans	**28,000**	16,000
Subtotal	**281,860**	689,000
Non-current		
Repayable after 1 year but within 2 years - secured	**181,000**	—
Repayable after 2 years but within 5 years - secured	**421,000**	60,000
Subtotal	**602,000**	60,000
Total[(1)]	**883,860**	749,000

Note:

(1) Certain assets of the Group were pledged for purpose of bank loans. Please refer to note 10 to this announcement for details.

CONTINGENT LIABILITIES

We make arrangements with PRC commercial banks so that such banks may provide mortgage facilities to our customers to purchase our properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for such mortgages are generally discharged at the earlier of: (i) the due registration of the mortgage interest held by the commercial bank upon the subject property, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan with any accrued and unpaid interest and penalty based on the loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of 31 December 2013, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB1,482.1 million.

COMMITMENTS

Commitments on Development Costs

The following table sets forth our commitments in respect of property development expenditures as of the dates indicated. Our commitments were primarily related to the development costs contracted but not provided for as of the dates indicated.

	As of 31 December	
	2013	2012
	(RMB'000)	(RMB'000)
Contracted but not provided for	**1,223,694**	1,222,759

OPERATING LEASE COMMITMENT

We lease a number of properties for our internal use under operating leases. The leases typically have an initial term of one to two years, with an option to renew based on renegotiated lease terms. The following table sets forth our operating lease commitments as of the dates indicated.

	As of 31 December	
	2013	2012
	(RMB'000)	(RMB'000)
Within 1 year	**13,893**	9,537
After 1 year but within 2 years	**12,373**	16,421
Total	**26,266**	25,958

KEY FINANCIAL RATIOS

The following table sets out our current ratios, gearing ratios, return on assets and return on equity as of the dates or for the periods indicated.

	As of and for the year ended 31 December	
	2013	2012
Current ratio (1)	**1.81**	1.57
Gearing ratio (2)	**8.0%**	25.9%
Return on assets (3)	**17.6%**	8.9%
Return on equity (4)	**51.7%**	50.8%

Notes:

(1) Our current ratio is calculated by dividing current assets by current liabilities as of the end of the respective reporting period.

(2) Our gearing ratio is calculated as the Group's total interesting bearing borrowings as of the respective reporting period (includes bank loans and other borrowings and redeemable convertible preference shares) divided by total assets as of the end of the respective reporting period and multiplying by 100%.

(3) Our return on assets equals the Group's core operating net profit for the year divided by average total assets as of the end of the respective reporting period and multiplying by 100%.

(4) Our return on equity equals the Group's core operating net profit for the year divided by average equity and multiplying by 100%.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISK

Reflecting the nature of our property development, investment and management operations, we are exposed to various financial risks in the normal course of our business. For example, our sales were primarily denominated in RMB, being the functional currency of our major operating subsidiaries, therefore, our Board expects the future exchange rate fluctuation will not have any material effect on our business. We did not use any financial instruments for hedging purpose.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARY

Except for the acquisition of the 51% equity interest in Ganzhou Jiuzhi in June 2013, the Group had no material acquisition and disposal of subsidiary and associated company during the year under review.

RESTRICTION ON SALES

As of 31 December 2013, we entered into master investment agreements with local government authorities regarding the development of ten projects. Under the terms of certain master investment agreements, such as our agreements in regard to Ningxiang, Mianyang and Ganzhou Trade Centers, we are required to maintain a certain portion of the trade center properties, typically 20%-30% in terms of GFA, for self-use or leasing purpose. We believe that such requirement is in line with our overall development plan for these projects. Except for the conditions mentioned above, there is no restriction on sales of the land acquired by the Group.

HUMAN RESOURCES

As at 31 December 2013, the Group had a workforce of approximately 2,000 people. The number of staff had increased by 5.4% since 31 December 2012. During the year under review, the total employee benefit expenses amounted to RMB160.9 million, increased by 112.8% (FY2012: RMB75.6 million). We actively recruit skilled and qualified personnel in the Chinese local markets, including students newly graduated from universities as well as employees with relevant work experience. For the senior management team and selected management positions, we may also seek to recruit personnel with international experience. The remuneration package of our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raises, bonuses and promotion. During FY2013, the Company has granted 18.75 share options (adjusted to 900,000 share options pursuant to the adjustment mechanism under the Pre-IPO Share Option Scheme Rules) to certain directors.

PROPOSED FINAL DIVIDENDS

The Board recommends the payment of a proposed final dividend of RMB15.3 cents per share (or equivalent to approximately HK19.5 cents per share) in respect of FY2013 (the "**Proposed Final Dividend**"). Subject to the approval of the Proposed Final Dividend by the shareholders of the Company at the AGM, the Proposed Final Dividend will be distributed on or about 30 May 2014 to the shareholders of the Company whose names appear on the register of members of the Company on 21 May 2014.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the AGM

The register of members of the Company will be closed from 8 May 2014 to 13 May 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited ("**Computershare**") at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 7 May 2014.

(b) For determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from 19 May 2014 to 21 May 2014, both days inclusive. In order to qualify for the Proposed Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Computershare at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 16 May 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company (the "**Directors**") at the latest practicable date prior to the issue of this announcement, the Company has maintained the public float of the issued shares of the Company as required under the Rules governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from 31 October 2013, the date on which the shares of the Company were listed on the Main Board of the Stock Exchange (the "**Listing Date**") to 31 December 2013 (the "**Relevant Period**").

CORPORATE GOVERNANCE

Save as disclosed below, the Board is of opinion that the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Relevant Period. Details of the corporate governance of the Company are set out in the 2013 Annual Report (the "**2013 Annual Report**") of the Company which will be published on or around 7 April 2014.

Code Provision A.2.1

Under the code provision A.2.1 of the the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organization structure of the Company, Mr. Wong Choihing is the chairman of the Company (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**"). With extensive experience in the property industry, the Board considers that vesting the roles of Chairman and CEO in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Group nevertheless will review the structure from time to time in light of the prevailing circumstances.

Code Provision A.2.7

Code provision of A.2.7 of the CG Code requires the chairman to hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present. As Mr. Wong Choihing, the Chairman, is also an executive Director, the Company has deviated from Code provision A.2.7 of the CG Code as it is not applicable.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions Conducted by the Directors of Listed Issuers ("**Model Code**") set forth in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code during the Relevant Period. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or its shares are prohibited from dealing in the shares of the Company during the blackout period.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds (after deduction of the related issuance expenses) from the Global Offering and the partial exercise of the Over-allotment Option on 27 November 2013 amounted to approximately HK$1,568.0 million (equivalent to approximately RMB1,232.7 million),which are intended to be applied in accordance with the intended use of proceeds set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

CONNECTED TRANSACTION

The Board confirmed that none of the related party transactions set out in note 16 to this announcement constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. During the Relevant Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this announcement pursuant to the Listing Rules.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") which consists of two independent non-executive Directors, Mr. Lam, Chi Yuen Nelson (being the chairman of the Audit Committee) and Mr. Yang Xianzu, and one non-executive Director, Mr. Yuan Bing, was set up in September 2013. The Audit Committee is satisfied with their review of the remuneration and the independence of the auditors, KPMG, and recommended the Board to re-appoint KPMG as the Company's auditors for the year 2014, which is subject to the approval of the shareholders of the Company at the AGM. The Company's annual results for the year ended 31 December 2013 has been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

NON-ADJUSTMENT EVENT AFTER THE REPORTING PERIOD

The material non-adjustment event after the end of the reporting period is set out in note 17 to this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on 13 May 2014. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.hydoo.com.cn**. The 2013 Annual Report will be dispatched to the shareholders of the Company on or about 7 April 2014 and will be available on the above websites in due course.

By order of the Board
Hydoo International Holding Limited
Wong Choihing
Chairman and Executive Director

For the purpose of this announcement, the exchange rate of HK$1 = RMB0.7862 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

Hong Kong, 24 March 2014

As at the date of this announcement, our executive Directors are Mr. Wong Choihing and Mr. Huang Dehong; our non-executive Director is Mr. Yuan Bing; and our independent non-executive Directors are Mr. Yang Xianzu, Mr. Wang Lianzhou and Mr. Lam, Chi Yuen Nelson.