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 2014

FINANCIAL HIGHLIGHTS

— The Group maintained net cash position and had net cash balance of RMB455.1 million as at 31 December 2014.

— The Group maintained high gross profit ratio of 41.6% during the financial year ended 31 December 2014.

— The Board recommends payment of the proposed final dividend of HK6 cents per share (equivalent to approximately RMB4.8 cents per share), representing a dividend payout ratio of approximately 38%, on profit for the year attributable to equity shareholders of the Company.

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 2014 ("**FY2014**" or the "**Year**") with comparative figures for the preceding financial year ended 31 December 2013 ("**FY2013**"), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Turnover	2	**3,360,189**	4,756,464
Cost of sales		**(1,961,163)**	(1,824,109)
Gross profit		**1,399,026**	2,932,355
Other revenue	3	**5,655**	5,353
Other net income	3	**43,652**	14,562
Selling and distribution expenses		**(182,263)**	(129,464)
Administrative expenses		**(427,715)**	(312,475)
Other operating expenses		**(12,082)**	(23,097)
Profit from operations		**826,273**	2,487,234
Finance income	4(a)	**19,993**	11,079
Finance costs	4(a)	**(8,840)**	(70,183)
Change in fair value of embedded derivative on redeemable convertible preference shares		**—**	(103,271)
Profit before taxation	4	**837,426**	2,324,859
Income tax	5(a)	**(330,961)**	(1,148,896)
Profit for the year		**506,465**	1,175,963
Attributable to:			
Equity shareholders of the Company		**512,053**	1,177,782
Non-controlling interests		**(5,588)**	(1,819)
Profit for the year		**506,465**	1,175,963
Earnings per share			
Basic (RMB cents)	6	**12.7**	40.9
Diluted (RMB cents)	6	**12.6**	39.4

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**506,465**	1,175,963
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	**13,449**	11,576
Total comprehensive income for the year	**519,914**	1,187,539
Attributable to:		
Equity shareholders of the Company	**525,502**	1,189,358
Non-controlling interests	**(5,588)**	(1,819)
Total comprehensive income for the year	**519,914**	1,187,539

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Note	**2014**	2013
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**92,704**	61,031
Intangible assets		**3,038**	1,329
Goodwill		**3,631**	2,252
Other non-current financial assets		**25,779**	23,618
Deferred tax assets		**293,572**	213,913
Prepayment for acquisition of property, plant and equipment		**368,535**	—
		787,259	302,143
Current assets			
Inventories		**7,688,692**	5,390,826
Current tax assets		**188,991**	111,762
Trade and other receivables, prepayments and deposits	7	**1,133,893**	682,941
Restricted cash		**198,155**	103,031
Available-for-sale investments		**37,000**	120,000
Cash and cash equivalents		**1,819,029**	4,292,994
		11,065,760	10,701,554
Current liabilities			
Trade and other payables	8	**3,975,215**	3,828,104
Bank loans and other borrowings		**369,500**	281,860
Current tax liabilities		**1,054,385**	932,982
Deferred income		**882,313**	858,082
		6,281,413	5,901,028
Net current assets		**4,784,347**	4,800,526
Total assets less current liabilities		**5,571,606**	5,102,669

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank loans and other borrowings		**1,192,600**	602,000
Deferred income		**5,843**	5,843
Deferred tax liabilities		**—**	63,038
		1,198,443	670,881
NET ASSETS		**4,373,163**	4,431,788
Capital and reserves			
Share capital		**31,825**	31,945
Reserves		**4,260,304**	4,389,126
Total equity attributable to equity shareholders of the Company		**4,292,129**	4,421,071
Non-controlling interests		**81,034**	10,717
TOTAL EQUITY		**4,373,163**	4,431,788

NOTES

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"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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

The Company was incorporated in the Cayman Islands on 19 October 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

Pursuant to a group reorganisation completed on 18 May 2011 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 2014 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 the available-for-sale investments are stated at their fair value.

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) Changes in accounting policies

Adoption of new and amendments to standards

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 IFRS 10, IFRS 12 and IAS27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

These amendments and new IFRS do not have an impact on these financial statements.

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 centres 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:

	2014	2013
	RMB'000	*RMB'000*
Sales of properties	**3,341,612**	4,748,766
Property management services	**11,339**	7,027
Rental income	**6,734**	671
Advertising income	**504**	—
	3,360,189	4,756,464

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's turnover.

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

	2014	2013
	RMB'000	*RMB'000*
Other revenue		
Dividend income	**3,243**	4,019
Others	**2,412**	1,334
	5,655	5,353
Other net income		
Net gain on disposal of available-for-sale investments	**44,360**	14,562
Net loss on disposal of property, plant and equipment	**(708)**	—
	43,652	14,562

4 Profit Before Taxation

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

(a) Finance income and finance costs:

	2014	2013
	RMB'000	*RMB'000*
Finance income		
Interest income	**(19,993)**	(11,079)
Finance costs		
Interest on bank loans and other borrowings	**124,767**	108,558
Less: interest expense capitalised into properties under development *	**(123,565)**	(107,977)
	1,202	581
Net foreign exchange loss	**7,638**	3,602
Finance expense on redeemable convertible preference shares	**—**	66,000
	8,840	70,183

* The borrowing costs have been capitalised at rates ranging from 6.40% - 10.23% per annum for the year ended 31 December 2014 (2013: 6.40% - 17.00% per annum).

(b) Staff costs:

	2014	2013
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plans	**14,700**	7,402
Salaries, wages and other benefits	**279,451**	147,792
Equity settled share-based payment expenses	**2,010**	5,707
	296,161	160,901

(c) Other items:

	2014	2013
	RMB'000	*RMB'000*
Depreciation and amortisation	**25,742**	16,361
Operating lease charges	**25,060**	10,129
Cost of properties sold (note (i))	**1,943,073**	1,817,539

(i) Cost of properties sold is after netting off benefits from government grants of RMB321,505,000 for the year ended 31 December 2014 (2013: RMB620,938,000).

5 Income Tax in the Consolidated Statement of Profit or Loss

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

	2014	2013
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**225,990**	473,453
PRC dividend withholding tax (note 5 (b)(v))	**63,038**	—
PRC Land Appreciation Tax ("PRC LAT") (note 5 (b)(iv))	**184,630**	687,289
Under-provision in respect of prior years	**—**	16,782
	473,658	1,177,524
Deferred tax		
Origination and reversal of temporary differences	**(142,697)**	(28,628)
	330,961	1,148,896

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

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**837,426**	2,324,859
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**215,113**	634,772
Tax effect of non-deductible expenses	**8,383**	11,023
Tax effect of non-taxable income	**(895)**	(1,005)
Tax effect of unused tax losses not recognised	**26,515**	8,987
Utilisation of previously unrecognised tax losses	**(77)**	(322)
Withholding tax on distributable profits of PRC subsidiaries	**—**	63,038
PRC LAT (note 5(b)(iv))	**184,630**	687,289
Tax effect on PRC LAT	**(29,351)**	(171,822)
Tax concessions (note 5(b)(iii))	**(73,357)**	(99,846)
Under-provision in respect of prior years	**—**	16,782
Total income tax	**330,961**	1,148,896

(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 (2013: Nil).

(iii) PRC CIT

The Group's PRC subsidiaries are subject to statutory tax rate of 25% on their assessable profits.

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Centre") was approved to enjoy a preferential PRC 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 PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

(iv) PRC LAT

PRC LAT which is levied on properties developed for sale by the Group in the PRC , 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 PRC 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 PRC LAT which were calculated based on 6% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

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 PRC 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.

(v) PRC dividend withholding tax

Withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

6 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB512,053,000 (2013: RMB1,177,782,000) and the weighted average of 4,020,798,000 ordinary shares (2013: 2,883,306,000 ordinary shares after adjusting for the capitalisation issue in 2013), calculated as follows:

Weighted average number of ordinary shares

	2014	2013
	'000	*'000*
Issued ordinary shares at 1 January	**4,029,950**	42,782
Effect of capitalisation issue	**—**	2,606,962
Effect of Global Offering and automatic conversion of preference shares	**—**	233,562
Effect of shares repurchased	**(9,152)**	—
Weighted average number of ordinary shares at 31 December	**4,020,798**	2,883,306

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB512,053,000 (2013: RMB1,347,053,000) and the weighted average number of ordinary shares of 4,060,664,000 ordinary shares (2013: 3,423,092,000 ordinary shares), calculated as follows:

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

	2014	2013
	RMB'000	*RMB'000*
Profit attributable to equity shareholders of the Company	**512,053**	1,177,782
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 equity shareholders of the Company (diluted)	**512,053**	1,347,053

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

	2014	2013
	RMB'000	*RMB'000*
Weighted average number of ordinary shares at 31 December	**4,020,798**	2,883,306
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	**39,866**	41,704
Effect of conversion of redeemable convertible preference shares	**—**	498,082
Weighted average number of ordinary shares at 31 December (diluted)	**4,060,664**	3,423,092

7 Trade and Other Receivables, Prepayments and Deposits

	2014	2013
	RMB'000	*RMB'000*
Trade and bill receivables	**27,393**	12,893
Prepaid business tax and other taxes	**137,761**	124,883
Deposits, prepayments and other receivables	**968,739**	545,165
	1,133,893	682,941

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade and bill receivables (net of allowance for doubtful debts) based on the date the relevant trade and bill receivables recognised is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 month	**17,971**	11,769
1 to 3 months	**4,516**	531
3 to 6 months	**4,906**	593
	27,393	12,893

Trade and bill receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

The directors are of the view that all trade and bill receivables are neither individually nor collectively considered to be impaired as at 31 December 2014.

Credit risk of trade and bill receivables is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

8 Trade and Other Payables

	2014	2013
	RMB'000	*RMB'000*
Trade payables (note (a))	**1,720,433**	1,267,036
Receipts in advance (note (b))	**2,013,186**	2,376,504
Other payables and accruals (note (c))	**241,596**	184,564
Total	**3,975,215**	3,828,104

Notes:

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

	2014	2013
	RMB'000	*RMB'000*
Due within 1 month or on demand	**712,272**	467,596
Due after 1 month but within 3 months	**335,133**	132,982
Due after 3 months but within 6 months	**589,107**	599,780
Due after 6 months	**83,921**	66,678
	1,720,433	1,267,036

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 money.

At 31 December 2014, included in trade payables are retention payables of RMB12,048,000 (2013: RMB28,847,000), which are expected to be settled after more than one year.

(b) 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. Sale of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy.

(c) At 31 December 2014, included in other payables and accruals are deposits of RMB6,637,000 (2013: RMB23,962,000), 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.

9 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2014	2013
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK6 cents per ordinary share (2013: HK19.5 cents per ordinary share)	**192,457**	616,582

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.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following year, of HK19.5 cents per ordinary share (2013: nil)	**624,309**	—

10 Commitments

(a) Commitments outstanding at the end of reporting period contracted but not provided for in the financial statements were as follows:

	2014	2013
	RMB'000	*RMB'000*
Construction and development contracts	**1,926,765**	1,223,694
Land agreements	**330,588**	—
	2,257,353	1,223,694

(b) At the end of reporting period, the total value minimum lease payments under non-cancellable operating lease are payable as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**53,534**	13,893
After 1 year but within 2 years	**47,385**	12,373
After 2 years but within 5 years	**115,000**	—
	215,919	26,266

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 2 to 5 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.

(c) At the end of reporting period, the total value minimum lease payments under non-cancellable operating leases are receivables as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**7,683**	4,933
After 1 year but within 2 years	**4,112**	6,649
After 2 years but within 5 years	**3,653**	5,547
After 5 years	**9,934**	10,602
	25,382	27,731

The Group leases out a number of properties under operating leases. The leases typically run for an initial period of 2 to 15 years. None of the leases includes contingent rentals.

11 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:

	2014	2013
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**2,551,035**	1,482,069

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.

12 Material Related Party Transactions

(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:

	2014	2013
	RMB'000	*RMB'000*
Contribution to defined contribution retirement plans	**392**	137
Wages, salaries and other benefits in kind	**26,978**	20,213
Equity settled share-based payments	**468**	2,655
	27,838	23,005

Total remuneration is included in "staff costs" (see note 4(b)).

(b) Transactions with related parties

	2014	2013
	RMB'000	*RMB'000*
Receipts from related parties		
– the controlling shareholders	—	796
Payments to related parties		
– the controlling shareholders	—	228
– Others	—	1,000
	—	1,228
Sales of properties to related parties	—	607

(c) 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.

13 Non-Adjustment Event After the Reporting Period

(a) After the end of the reporting period, the Company entered into the Purchase Agreement with Ping An Real Estate (HongKong) Company Limited (the "Investor"). The Company has issued 7.00% convertible notes in principal amount of US$120,000,000 (approximately RMB736,104,000) due 2020 to the Investor on 23 January 2015. The gross and net proceeds (after deducting expenses) are US$120,000,000 and approximately US$119,330,000, respectively.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 9.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Hydoo International Holding Limited ("**Hydoo**", the "**Company**", "**we**", or "**our**"), together with its subsidiaries (the "**Group**"), I am pleased to present the annual results of the Group for the financial year ended 31 December 2014 ("**FY2014**" or the "**Year**").

FINANCIAL RESULTS AND PROPOSED FINAL DIVIDEND

During the Year, the Group's turnover and gross profit reached approximately RMB3,360.2 million and RMB1,399.0 million, respectively, representing a decrease of approximately 29.4% and 52.3% respectively (For the financial year ended 31 December 2013 ("**FY2013**"), the turnover and gross profit were: RMB4,756.5 million and RMB2,932.4 million, respectively). Basic earnings per share for FY2014 were RMB12.7 cents (FY2013: RMB40.9 cents).

The Board proposed a final dividend of HK6 cents per share (equivalent to approximately RMB4.8 cents per share) (the "**Proposed Final Dividend**") for FY2014, subject to the approval of the shareholders of the Company (the "**Shareholders**") at the Company's forthcoming annual general meeting ("**AGM**") to be held on 15 May 2015.

REVIEW OF MARKET TRENDS AND STRATEGY

In 2014, the economic growth of China was 7.4%. The economy of China entered the stage of moderation and was turning from high speed growth to medium speed growth, its mode of economic development also changed from growth in scale and speed to a "new normal state" of growth in quality and effectiveness. According to the relevant data, under the new normal state and influences from the domestic environment of resources and external pressure, the driving force of investment and exports gradually weakened, while the role of consumer spending gradually became stronger in economic development, the growth momentum of the Chinese economy was switching from investment and export oriented to consumption driven. Trade and logistics were not only important means to expand consumption, develop internal demand, increase employment and improve livelihood of the general public, but were also key factors to facilitate economic restructuring and transformation of economic development mode. As one of the leading developers and operators of integrated large-scale trade and logistics centers in China, Hydoo was able to maintain stable operations in response to the pressure and challenges arising from slower overall economic growth in China, while achieving certain breakthroughs in upgrading and providing improvement to the modern mode of trade and logistics and providing more value-added and innovative services to small and medium enterprises ("**SMEs**").

The Group continued to focus on the development and operation of trade and logistics center projects, the core business and extended business of these projects provided more efficient merchandise circulation and wholesale network of high coverage in the process of city upgrading and urbanization and facilitated significant growth in the consumption of residents. Such advantages brought us enormous business opportunities in the urbanization process. We strived to perform well in the dual roles of developer and operator of integrated large-scale trade and logistics centers, provide a professional platform and key services for SMEs, and move towards modernization development in trade and logistics together with them, so as to generate recurring business income and bring sustainable and stable returns for the Group.

The Group adopted sound and prudent operation management strategies, by strengthening cash flows and security management of funds and developing more financing channels, and further development and expansion of the Group was facilitated. During the Year, the Group entered into strategic cooperation agreements with Ping An Bank, Shenzhen Branch of China Merchants Bank and Shenzhen Branch of China CITIC Bank, respectively. Among them, Ping An Bank agreed to provide credit, financing and financial services to the Group during the term of three years of cooperation, and would utilize its financial platform to provide a range of integrated financial services for the Group. The Shenzhen Branch of China Merchants Bank agreed to provide the Group with credit and financing arrangements of not exceeding RMB5 billion in total. The Shenzhen Branch of China CITIC Bank agreed to provide the Group with credit and financing arrangements of not exceeding RMB3 billion in total at preferential prices.

Furthermore, the Group successfully completed the issue of 7.00% convertible notes in principal amount of US$120,000,000 due 2020 to Ping An Real Estate (Hong Kong) Company Limited ("**Ping An Real Estate**"), part of the real estate investment management arm of Ping An Insuance (Group) Company of China, Ltd., on 23 January 2015, and entered into a strategic cooperation agreement with it on 8 January 2015 for a term of five years. Pursuant to the agreement, in addition to corporate level investment through the convertible notes, Ping An Real Estate also intended to make strategic investment of not exceeding RMB1.5 billion in total in the Group's future trade and logistics center projects.

2014 was a year of fusion between the real economy and the internet. Being a traditional offline entity, the Group fully captured the market opportunities and combined with our own offline resources to penetrate new economic areas such as e-commerce and internet finance on timely basis. Progress was made through self-establishment and cooperation, the Group had established the e-commerce information service platform, logistics distribution system and transaction payment system at the Mianyang Trade Center, and achieved certain breakthroughs during the Year. Among them, the e-commerce information service platform of the Mianyang Trade Center went online officially, both online and offline resources were optimized and consolidated, leading trade business of real industries in Mianyang to the path of operation over the internet platform, and satisfying the increasing urgent demand for online businesses by SMEs. Moreover, the Group held membership recruitment activities in a number of trade center projects in Jining, Xingning and Lanzhou during the Year, and received enthusiastic responses from SMEs. The improvement in the membership system would lay a solid foundation for the establishment of an intelligent, professional and comprehensive big data information platform.

REVIEW OF FY2014 PERFORMANCE

In FY2014, we have been enhancing our presence in fast growing small and medium-sized cities in China to achieve sustainable business growth.

LAND ACQUISITION AND LAND BANK

In FY2014, the Group has acquired land-use rights with an aggregate site area of approximately 1.5 million sq.m., which is expected to have an aggregate estimated gross floor area ("**GFA**") of approximately 2.7 million sq.m. As of 31 December 2014, we had a total land bank of approximately 9.6 million sq.m., and were simultaneously developing 11 trade center projects in 8 provinces and autonomous regions in China.

CONTRACTED SALES PERFORMANCE

In FY2014, the Group's contracted sales amount and contracted sales area reached approximately RMB2,929.4 million and 465,605 sq.m, respectively, representing decrease of 58.2% and 47.9% compared to the figures of FY2013 respectively.

STRONG FINANCIAL POSITION

We implemented a build-to-sell business model in the early stage of project development, and operated and managed it in the late stage. Due to our short development cycle, we achieved an efficient turnover rate and a lesser need for capital investments, which ensured our healthy financial leverage level. As of 31 December 2014, our bank loans and other borrowings were RMB1,562.1 million and we had total cash[(1)] of RMB2,017.2 million. Our net cash position[(2)] can help reduce our operation risk, provide funding for our investment in new projects, and allow leverage for external financing.

PROSPECTS

As the economy of China enters the "new normal state" signified by medium speed growth, consumption as a driving force in the economic growth of China has become prominent and increasingly important. Under the new normal state, overall social consumption is switching faster from the mode of survival consumption to enjoyment consumption, development consumption and information consumption, and the upgrade in consumption level has brought significant opportunities to the trade and logistics sector. In addition, according to the National New Urbanization Plan (2014 - 2020) (the "**Plan**") issued by the State Council during the Year, the Chinese government will focus on the development of small cities and towns, turning them into trade and logistics centers and transportation hubs, among other professional specialties, through planning guidance and market operations. Meanwhile, the Ministry of Commerce published Certain Opinions on Promoting Healthy Development of Domestic Trade and Logistics (the "**Opinions**") during the Year, in which it was confirmed that increased efforts would be exerted on the development of chain store operations, strengthening the construction of infrastructure for trade logistics, increasing livelihood services for residents and policy measures for supporting the expansion of logistics enterprises. By leveraging our Group's successful business model and industry experience over many years, we are ready to capture the vast opportunities brought by the above favourable trends and lead the modernization upgrade and development of large-scale integrated trade and logistics centers in China, in order to bring more returns to our shareholders.

The Group will continue to expand both online and offline service platforms with increasing efforts to facilitate the fusion of online and offline mode and create the economies of scale and a closed circuit for payments. At the same time, we approach new businesses which are favourable to the Group and can create value for shareholders with an open attitude. Operation management of trade and logistics centers provides us with logistics information of our SME customers directly and rapidly through warehousing logistics, and cash flow information on SME customers through a unified payment system. We aim to leverage the valuable information advantage to provide more customized and professional value-added services for SME customers in future and to gain stable returns for the Group.

Furthermore, the strategic concepts of "New Silk Road Economic Belt" and the "21st Century Maritime Silk Road" put forward by the Chinese government also give us insights. By connecting with "One Belt and One Road" to facilitate the actualization of policies focusing on policy communication, road connection, smooth trading flow, currency circulation and cohesion of residents within the regions and centering on external investments of China in areas such as inter-connection and inter-communication of infrastructural facilities, cooperation in energy and resources, cooperative investments in park zones and industries, and participation in building "One Belt and One Road", more opportunities for expansion will be available to us in the areas of external investments and trade logistics. Accomplishing achievements and acquiring benefits in the strategic process of "One Belt and One Road" will be one of our key working focuses in future.

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 professionalism and wholehearted commitment.

Wang Jianli
Chairman

Hong Kong, 25 March 2015

Note:

(1) Total cash represents the sum of the Group's cash and cash equivalents, short-term time deposits and restricted cash.

(2) Net cash position represents the Group's total cash less bank loans and other borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of FY2014 Performance

Land Acquisition and Land Bank

In FY2014, the Group continued to develop new projects in certain fast growing small and mid-sized cities in China in a bid to achieve sustainable business growth.

In FY2014, we acquired land-use rights with an aggregate total site area of approximately 1.5 million sq.m., which is expected to have an aggregate estimated GFA of approximately 2.7 million sq.m. during FY2014. As of 31 December 2014, we had a total land bank of approximately 9.6 million sq.m., and we were simultaneously developing 11 trade center projects in 8 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.)*	Total GFA with land use rights *(sq.m.)*	Total GFA of properties delivered *(sq.m.)*	Land bank *(sq.m.)*
Ganzhou Trade Center	633,866	142,921	2,763,953	3,540,740	493,616	3,047,124
Lanzhou Trade Center	N/A	561,824	916,407	1,478,231	N/A	1,478,231
Wuzhou Trade Center	N/A	472,136	612,880	1,085,016	N/A	1,085,016
Bengbu Trade Center	N/A	N/A	907,241	907,241	N/A	907,241
Xingning Trade Center	N/A	240,825	547,282	788,107	N/A	788,107
Jining Trade Center	561,805	301,984	338,250	1,202,039	395,659	806,380
Yulin Trade Center	282,631	N/A	360,836	643,467	171,036	472,431
Heze Trade Center	247,166	N/A	163,147	410,313	47,982	362,331
Mianyang Trade Center	465,191	45,651	102,748	613,590	335,370	278,220
Yantai Trade Center	N/A	13,172	191,228	204,400	N/A	204,400
Ningxiang Trade Center	381,949	61,518	N/A	443,467	280,422	163,045
Haode Yinzuo	48,650	N/A	N/A	48,650	38,307	10,343
Total	2,621,258	1,840,031	6,903,972	11,365,261	1,762,392	9,602,869

Contracted Sales Performance

In FY2014, the Group recorded contracted sales amount of approximately RMB2,929.5 million and contracted sales area of 465,605 sq.m., representing decrease of 58.2% and 47.9% respectively (2013: approximately RMB7,004.6 million and 894,182 s.q.m.). During the Year, the overall Chinese domestic economy dropped, and the operation environment of our industry was challenging and volatile under continuous stringent regulation, which affected our business significantly. The Group closely monitored the market changes and adopted measures to cope with the complicated market environment and challenges in compliance with national and local government policies, and managed the project development progress and pre-sale schedule in a more prudent way. Contracted sales recorded during the Year were primarily related to pre-sale of properties at projects in Mianyang, Wuzhou, Jining, Ganzhou and Heze.

Details on contracted sales during the Year are shown in the table below:

	Contracted sales area	Average contracted sales price (before deduction of business tax and surcharges)	Contracted sales amount (before deduction of business tax and surcharges)	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)			
Mianyang Trade Center				
Wholesale trading market units	135,755	6,866	932,130	31.8%
Wuzhou Trade Center				
Wholesale trading market units	84,538	5,521	466,742	15.9%
Shopping mall	8,631	8,512	73,467	2.5%
Jining Trade Center				
Wholesale trading market units	79,440	4,810	382,117	13.0%
Residential area	13,603	4,515	61,422	2.1%
Ganzhou Trade Center				
Wholesale trading market units	5,258	10,571	55,584	1.9%
Shopping mall	47,931	7,250	347,494	11.9%
Heze Trade Center				
Wholesale trading market units	56,338	5,612	316,170	10.8%
Lanzhou Trade Center				
Wholesale trading market units	19,429	8,661	168,272	5.8%
Yulin Trade Center				
Wholesale trading market units	3,658	6,136	22,446	0.8%
Shopping mall	10,141	9,917	100,565	3.4%
Ningxiang Trade Center				
Wholesale trading market units	275	4,611	1,268	0.0%
Serviced Apartment	608	2,919	1,775	0.1%
Total	465,605	6,292	2,929,452	100.0%

Note:

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

Our Trade Centers

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 phrases. As of 31 December 2014, we had acquired land-use rights for all of Phrase 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 2014, we completed the construction of wholesale trading markets, a freight-forwarding market, a commercial and exhibition center, warehouses and 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 phrases. As of 31 December 2014, we had acquired land-use rights for all of Phrase I and Phrase II encompassing a total site area of 975,863 sq.m. and expect a total GFA of 1,202,039 sq.m. for Phase I and Phase II when fully completed.

As of 31 December 2014, we completed the construction of wholesale trading markets and a shopping mall, were constructing additional wholesale trading market, a commercial center, a hotel, an office building, a residential area and a commercial and exhibition center, and had warehouses, serviced apartments, and office buildings 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 1.2 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in three phrases. As of 31 December 2014, we had acquired land-use rights for all of Phrase I and a portion of Phrase II encompassing a total site area of 523,887 sq.m. with a total planned GFA of approximately 643,467 sq.m. upon full completion of Phase I and Phase II development.

As of 31 December 2014, we completed the construction of wholesale trading markets and shopping malls, and had serviced apartments, a commercial and exhibition center 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 covers a net land area of approximately 605,084 s.q.m., which is estimated to consist of at least two phases, and is estimated to have a total GFA of approximately 613,590 s.q.m. when fully completed. As of 31 December, 2014, we had acquired all the land-use rights for this project.

As of 31 December 2014, we completed the construction of wholesale trading markets and certain supporting buildings and facilities, were constructing a commercial pedestrian street, and had 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 phrases, and is estimated to have a total GFA of approximately 3.5 million sq.m. when fully completed. As of 31 December 2014, we had acquired all the land-use rights for this trade center project.

As of 31 December 2014, we completed the construction of wholesale trading markets and shopping malls, were constructing shopping malls and a commercial pedestrian street, and had a commercial and exhibition center, additional shopping malls, warehouses, supporting buildings and facilities, 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. It is approximately 370 kilometers east of Nanning, the capital of Guangxi, and approximately 270 kilometers west of Guangzhou, the capital of Guangdong.

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 phrases. As of 31 December 2014, we had acquired land-use rights for all of Phrase I encompassing a total site area of 599,642 sq.m. with a total GFA of approximately 1,085,016 sq.m. upon full completion of Phase I development.

As of 31 December 2014, we were constructing certain supporting buildings and facilities, wholesale trading markets, a commercial and exhibition center and 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 2 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 phrases. As of 31 December 2014, we had acquired land-use rights for a portion of Phrase I encompassing a total site area of 392,280 sq.m. with a total GFA of approximately 410,313 sq.m. upon completion of development.

As of 31 December 2014, we completed the construction of wholesale trading markets and certain supporting buildings and facilities and had shopping malls, office buildings and a residential area 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 31 December 2014, we had acquired land-use right for a portion of Phase I encompassing a total site area of 546,678 sq.m. with a total GFA of approximately 788,107 sq.m. upon completion of development.

As of 31 December 2014, we were constructing wholesale trading markets and certain supporting buildings and facilities and had additional wholesale trading markets, shopping malls, and residential areas 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 phrases. As of 31 December 2014, we had acquired land-use rights for a portion of Phase I encompassing a total site area of 44,233 sq.m. with a total GFA of approximately 204,400 sq.m. upon completion.

As of 31 December 2014, we were constructing certain supporting buildings and facilities and had wholesale trading markets, office buildings, serviced apartments and shopping malls planned for future development at this trade center project.

Lanzhou Trade Center

Lanzhou Trade Center is located in Lanzhou's Yuzhong County, Lanzhou City and next to the community of Lanzhou College. 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 31 December 2014, we had acquired land-use rights for all of Phrase I encompassing a total site area of 1,007,941 sq.m. with a total GFA of approximately 1,478,231 sq.m. upon completion.

As of 31 December 2014, we were constructing wholesale trading markets and a commercial predestrain street, and had shopping malls, a hotel, office buildings, warehouses, and additional wholesale trading markets planned for future development at this trade center project.

Bengbu Trade Center

Bengbu Trade Center is located in Bengbu's Huaiyuan township. It is located to the west of Beijing-Shanghai Railway and Beijing-Shanghai high-speed railway, at the junction of 206 National Road, Provincial Highway 307, Provincial Highway 225, and other highways. It is approximately 25 kilometers from downtown Bengbu City, 30 kilometers and 120 kilometers from the railway station and airport of Hefei City, respectively.

Bengbu Trade Center covers a net land area of approximately 363,737 sq.m., which is estimated to consist of at least two phrases, and is estimated to have a total GFA of approximately 907,241 sq.m. when fully completed. As of 31 December 2014, we had acquired all the land-use rights for this trade center project.

As of 31 December 2014, we had a residential area, a commercial center, a hotel and certain supporting buildings and facilities planned for future development at this trade center project.

FINANCIAL REVIEW

Turnover

Turnover decreased by RMB1,396.3 million, or 29.4%, from approximately RMB4,756.5 million for FY2013 to RMB3,360.2 million for FY2014. This decrease was primarily caused by a decrease in revenue from sales of properties. The following table sets forth our turnover from sales of properties, property management services, rental income and advertising income during the periods indicated.

	For the year ended 31 December			
	2014		2013	
	Turnover *(RMB'000)*	***%***	Turnover *(RMB'000)*	*%*
Sale of properties	**3,341,612**	**99.5%**	4,748,766	99.8%
Property management services	**11,339**	**0.3%**	7,027	0.2%
Rental income	**6,734**	**0.2%**	671	0.0%
Advertising income	**504**	**—**	—	—
Total	**3,360,189**	**100%**	4,756,464	100.0%

Sale of properties

Revenue from sales of properties decreased by RMB1,407.2 million, or 29.6%, from approximately RMB4,748.8 million for FY2013 to RMB3,341.6 million in FY2014. The decrease of sales of properties is in line with the decrease in the GFA of properties sold, which decreased by 195,247 sq.m., or 28.1%, from 694,000 sq.m. for FY2013 to 498,753 sq.m. for FY2014. The decrease of the GFA of properties sold was mainly due to the Group's prudent sales strategy adopted to cope with the complex and volatile environment. Our revenue for FY2014 was primarily derived from the sales of wholesale trading market units at our Ganzhou Trade Center, Mianyang Trade Center, Jining Trade Center and shopping mall 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 31 December					
	2014			2013		
	GFA	**Avergae sales price**	**Revenue**	GFA	Avergae 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	**119,568**	**8,228**	**983,853**	334,125	8,102	2,707,127
Shopping mall	**40,060**	**10,130**	**405,814**	—	—	—
Subtotal	**159,628**	**8,706**	**1,389,667**	334,125	8,102	2,707,127
Mianyang Trade Center						
Wholesale trading market units	**159,659**	**6,421**	**1,025,153**	175,711	5,822	1,023,023
Subtotal	**159,659**	**6,421**	**1,025,153**	175,711	5,822	1,023,023

	For the year ended 31 December					
	2014			2013		
	GFA	**Avergae sales price**	**Revenue**	GFA	Avergae sales price	Revenue
	GFA in sq.m., average sales price in RMB per sq.m. and revenue in thousands of RMB					
Jining Trade Center						
Wholesale trading market units	**95,872**	**4,474**	**428,979**	85,363	4,200	358,541
Shopping mall	**—**	**—**	**—**	3,506	6,591	23,108
Subtotal	**95,872**	**4,474**	**428,979**	88,869	4,295	381,649
Heze Trade Center						
Wholesale trading market units	**47,983**	**5,204**	**249,680**	—	—	—
Subtotal	**47,983**	**5,204**	**249,680**	—	—	—
Yulin Trade Center						
Wholesale trading market units	**8,214**	**5,155**	**42,342**	25,081	5,051	126,692
Shopping mall	**22,276**	**8,731**	**194,481**	53,008	8,182	433,737
Subtotal	**30,490**	**7,767**	**236,823**	78,089	7,177	560,429
Ningxiang Trade Center						
Wholesale trading market units	**4,778**	**2,168**	**10,358**	7,687	4,322	33,226
Bus terminal and information center	**—**	**—**	**—**	5,302	3,808	20,191
Serviced apartments	**343**	**2,776**	**952**	3,045	5,126	15,608
Subtotal	**5,121**	**2,209**	**11,310**	16,034	4,305	69,025
Other Properties						
Haode Yinzuo	**—**	**—**	**—**	1,172	6,410	7,513
Subtotal	**—**	**—**	**—**	1,172	6,410	7,513
Total	**498,753**	**6,700**	**3,341,612**	694,000	6,843	4,748,766

Property management

Revenue from property management services increased by RMB4.3 million, from RMB7.0 million for FY2013 to RMB11.3 million for FY2014. This increase primarily reflected the continued expansion of our property management portfolio, including our acquisition of a 51% equity interest of Ganzhou Jiuzhi in June 2013 which further increased the scope of our property management service operations.

Rental income

Revenue from rental income increased by RMB6.0 million, or 857.1%, from RMB0.7 million for FY2013 to RMB6.7 million for FY2014. The increase in FY2014 was primarily derived from the leasing of properties at Haode Yinzuo and Jining Trade Center.

Cost of Sales

Cost of sales increased by RMB137.1 million or 7.5%, from RMB1,824.1 million for FY2013 to RMB1,961.2 million for FY2014. This increase primarily reflected the increase in construction costs.

Cost of properties sold increased by RMB125.5 million, or 6.9%, from RMB1,817.5 million for FY2013 to RMB1,943.0 million for FY2014. The increase was mainly due to a significant proportion of revenue being generated from Mianyang Trade Center of our overall revenue for FY2014, which yielded a relatively higher cost of sales compared to that of Ganzhou Trade Center and Jining Trade Center.

Gross Profit

As a result of the forgoing, gross profit decreased by RMB1,533.4 million, or 52.3%, from RMB2,932.4 million for FY2013 to RMB1,399.0 million for FY2014. Our gross profit margin decreased from 61.6% for FY2013 to 41.6% for FY2014. The decrease in our gross profit margin for FY2014 compared to FY2013 was primarily due to a lower proportion of revenue being generated from Ganzhou Trade Center of our overall revenue for FY2014, which yielded a relatively higher gross profit margin compared to that of Mianyang Trade Center and Jining Trade Center which contributed to a significant portion of our gross profit for FY2014.

Other Revenue

Other revenue increased by RMB0.3 million, or 5.6%, from RMB5.4 million for FY2013 to RMB5.7 million for FY2014. Other revenue mainly represents dividend income in connection with a 10% minority investment made to the local rural credit cooperative institution in Mianyang, Sichuan province.

Other Net Income

Other net income for FY2014 mainly represents net gains on disposal of available-for-sale investments, which are investments in quoted funds and unlisted wealth management products issued by banks, financial institutions or asset management companies based on the Company's treasury policy.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB52.8 million, or 40.8%, from RMB129.5 million for FY2013 to RMB182.3 million for FY2014. The increase primarily reflected an increase in staff compensation. The selling and distribution expenses as percentage of turnover increased from 2.7% in the FY2013 to 5.4% in FY2014.

Administrative Expenses

Administrative expenses increased by RMB115.2 million, or 36.9%, from RMB312.5 million for FY2013 to RMB427.7 million for FY2014. The increase primarily reflected increases in staff-related expenses. The increases were primarily due to a significantly higher level of administrative expenses incurred to support our growing operational scale in FY2014 compared to FY2013. Our administrative expenses as a percentage of turnover increased from 6.6% in FY2013 to 12.7% in FY2014.

Other Operating Expenses

Other operating expenses decreased by RMB11.0 million, or 47.6%, from RMB23.1 million for FY2013 to RMB12.1 million for FY2014. 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. Our other operating expenses represented 0.4% and 0.5%, of our turnover in FY2014 and FY2013, respectively.

Finance Income

Our finance income increased by RMB8.9 million, or 80.2%, from RMB11.1 million for FY2013 to RMB20.0 million for FY2014. The increase reflected an increase in interest income on our bank deposit in FY2014.

Finance Cost

Our finance cost decreased by RMB61.4 million, or 87.5%, from RMB70.2 million for FY2013 to RMB8.8 million for FY2014. The decrease primarily reflected a decrease of RMB66.0 million in finance expenses recorded in FY2013 on our Preferred Shares issued to Hony Capital Fund 2008, L.P. ("**Hony Capital**"). Substantially all of the interest expenses paid on bank loans and other borrowings in FY2014 were capitalized into properties under development.

Change in Fair Value of Embedded Derivative on Preferred Shares

The decrease of RMB103.3 million for FY2013 to FY2014 in the fair value reflected the conversion of preferred shares we issued to Hony Capital in 2011 to ordinary shares upon the listing of the Company's shares on Stock Exchange.

Income Tax

Our income tax expense decreased by RMB817.9 million, from RMB1,148.9 million for FY2013 to RMB331.0 million for FY2014. Such decrease primarily reflected a significant decrease in the taxable income as a result of the revenue generated from sales of properties in our trade centers.

Profit for the Year and Profit Attributable to Equity Shareholders of the Company

As a result of the foregoing, our profit decreased by RMB669.5 million, or 56.9%, from RMB1,176.0 million for FY2013 to RMB506.5 million for FY2014. Our profit attributable to equity shareholders of the Company decreased by RMB665.7 million, or 56.5%, from RMB1,177.8 million for FY2013 to RMB512.1 million for FY2014.

Restricted Cash

Restricted cash amounted to RMB198.2 million for FY2014 compared to RMB103.0 million for FY2013. Our restricted cash in FY2014 primarily represented the cash we pledged to commercial banks for relevant mortgage facilities granted to our customers for the purpose of purchasing properties by our customers. Such pledged cash generally represents 2-10% of the total credit provided by commercial banks. The increase in our restricted cash in FY2014 primarily reflected the increase in property sales through obtaining mortgage loans provided by commercial banks to our customers which are subject to the cash pledge arrangement described above during the Year.

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-sale and sale of properties, equity investments made by our pre-IPO investors, borrowings from commercial banks and other lenders and proceeds from our initial public offering.

Bank Loans and Other Borrowings

The following table sets forth our outstanding borrowings as of the dates indicated.

	As of 31 December	
	2014	2013
	(RMB'000)	*(RMB'000)*
Current		
Secured		
– short term bank loans and other borrowings	**145,000**	70,000
– current portion of secured non-current bank loans and other borrowings	**224,500**	183,860
Unsecured		
– short term bank loans	**—**	28,000
Subtotal	**369,500**	281,860
Non-current		
Secured		
– repayable after 1 year but within 2 years	**399,230**	181,000
– repayable after 2 years but within 5 years	**793,370**	421,000
Subtotal	**1,192,600**	602,000
Total	**1,562,100**	883,860

As of 31 December 2014, the bank loans and other borrowings are all denominated in Renminbi, of which RMB417,000,000 (2013: RMB255,000,000) bear fixed rates and the remainder bear variable interest rates.

Bank loans and other borrowings bear interest rates ranging from 6.40% to 10.23% per annum for FY2014 (2013: 6.40% to 17.00%) and are secured by the following assets:

	As of 31 December	
	2014	2013
	(RMB'000)	*(RMB'000)*
Properties under development for sale	**981,722**	722,620
Completed properties held for sale	**904,770**	460,535
Properties held for future development for sale	**252,088**	133,360
Total	**2,138,580**	1,316,515

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 2014, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB 2,551 million.

Commitments

(a) Commitments outstanding at the end of reporting period contracted but not provided for in the financial statements were as follows:

The following table sets forth our commitments in respect of property development expenditures as of the dates indicated.

	2014	2013
	(RMB'000)	*(RMB'000)*
Construction and development contracts	**1,926,765**	1,223,694
Land agreements	**330,588**	—
	2,257,353	1,223,694

(b) At the end of reporting period, the total value minimum lease payments under non-cancellable operating lease are payable as follows:

	2014	2013
	(RMB'000)	*(RMB'000)*
Within 1 year	**53,534**	13,893
After 1 year but within 2 years	**47,385**	12,373
After 2 years but within 5 years	**115,000**	—
	215,919	26,266

We lease a number of building facilities under operating leases. The leases typically run for an initial period of 2 to 5 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.

(c) At the end of reporting period, the total value minimum lease payments under non-cancellable operating leases are receivables as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**7,683**	4,933
After 1 year but within 2 years	**4,112**	6,649
After 2 years but within 5 years	**3,653**	5,547
After 5 years	**9,934**	10,602
	25,382	27,731

The Group leases out a number of properties under operating leases. The leases typically run for an initial period of 2 to 15 years. None of the leases includes contingent rentals.

Key Financial Ratios

The following table sets out our current ratios and gearing ratios as of the dates indicated.

	As of 31 December	
	2014	2013
Current ratio (1)	**1.76**	1.81
Gearing ratio (2)	**13.2%**	8.0%
Net gearing ratio (3)	**Net cash**	Net cash

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 interest 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 net gearing ratio is calculated as the Group's net debt (aggregated bank loans and other borrowings and redeemable convertible preference shares net of cash and cash equivalents and restricted cash) divided by the total equity of the Group as of the end of the respective reporting period 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 market 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 100% equity interest in Haode Shangqing on 30 May 2014, the Group had no other acquisition and disposal of subsidiary and associated company in FY2014.

Restriction on Sales

As of 31 December 2014, we were simultaneously developing 11 trade center projects in 8 provinces and autonomous regions in China. Under the terms of certain master investment agreements with local government authorities regarding the development of trade centers, such as our agreements in relation 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 2014, the Group had a workforce of 2,391 people. The number of staff had increased by 20.5% since 31 December 2013. In FY2014, the total employee benefit expenses amounted to RMB296.2 million, increased by 84.1% (FY2013: RMB160.9 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 determinations on salary raises, bonuses and promotion. As at 31 December 2014, the number of outstanding share options granted by the Company to its directors and employees is 68,715,000 shares.

PAYMENT OF PROPOSED FINAL DIVIDENDS

The Board recommends the payment of the Proposed Final Dividend. Subject to the approval of the Shareholders at the AGM to be held on 15 May 2015, the Proposed Final Dividend will be distributed on or about 3 June 2015 to Shareholders whose names appear on the register of members of the Company on 26 May 2015.

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 12 May 2015 to 15 May 2015, 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 completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's 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 11 May 2015.

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

The register of members of the Company will be closed from 22 May 2015 to 26 May 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. 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 21 May 2015.

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 Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the FY2014, the Company has repurchased a total of 15,106,000 Shares listed on the Stock Exchange with an aggregate amount of HK$40,443,550 from May 2014 to June 2014. As at the date of this announcement, all the above repurchased Shares were cancelled.

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 (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the FY2014. Details of the corporate governance of the Company are set out in the 2014 annual report (the "**2014 Annual Report**") of the Company which will be published on or around 15 April, 2015.

Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The Company has appointed Mr. Wang Dewen as chief executive officer of the Company since 13 May 2014. Following the aforementioned change, the roles of chairman of the Company (the "**Chairman**") and the chief executive officer of the Company are separated in accordance with code provision A.2.1 of the CG Code.

Code Provision A.2.7

The Chairman did not hold any formal meeting with the independent non-executive Directors and non-executive Directors due to the tight schedule of the Chairman, the independent non-executive Directors and the non-executive Directors. Instead, the Chairman communicated with the independent non-executive Directors and non-executive Directors on a one-to-one or group basis to understand their concerns and to discuss pertinent issues.

COMPLIANCE WITH THE 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 Year. 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 Shares of the Company during the black-out period.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 27 September 2013 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Audit Committee by the Board. The Audit Committee consists of two independent non-executive Directors and one non-executive Director. The current three members are Mr. Lam, Chi Yuen Nelson, the chairman of the Audit Committee and the independent non-executive Director; Mr. Zhao Lihua, the independent non-executive Director; and Mr. Yuan Bing, the non-executive Director. The primary duties of the Audit Committee are to review the financial information of the Company, to oversee the financial reporting process and internal control system of our Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor, and perform other duties and responsibilities as assigned by our Board.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") on 27 September 2013 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Remuneration Committee by the Board. The Remuneration Committee comprises two independent non-executive Directors and one executive Director. The current three members are Mr. Wang Lianzhou, the chairman of the Remuneration Committee and the independent non-executive Director; Mr. Lam, Chi Yuen Nelson, the independent non-executive Director; and Mr. Wang Jianli, the executive Director. The primary duties of the Remuneration Committee are to make recommendations to the policy and structure of the remuneration for the Directors and senior management and to review and approve the compensation payable to the Directors and senior management.

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") on 27 September 2013 with written terms of reference in compliance with the requirements of the CG Code and Corporate Governance Report as set out in the Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Nomination Committee by the Board. The Nomination Committee comprises two independent non-executive Directors and one executive Director. The current three members are Mr. Zhao Lihua, the chairman of the Nomination Committee and the independent non-executive Director; Mr. Wang Lianzhou, the independent non-executive Director; and Mr. Wang Jianli, the executive Director. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, and to make recommendations to the Board on the appointment and removal of Directors. In the nomination procedures, the Nomination Committee makes reference to criteria including reputation of candidates for integrity, accomplishment and experience, professional and educational background.

CONNECTED TRANSACTION

The Board confirmed that none of the related party transactions set out in note 12 to this announcement constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. During the FY2014, 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 Company's annual results for the year ended 31 December 2014 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. 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 2015, which is subject to the approval of the shareholders of the Company at the AGM.

SCOPE OF WORK OF KPMG

The financial figures as set forth in this announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD

The non-adjustment event after the end of the reporting period is set out in note 13 to this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on 15 May 2015. A notice convening the AGM will be published and dispatched to the Shareholders 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 2014 Annual Report will be dispatched to the Shareholders on or about 15 April 2015 and will be available on the above websites in due course.

By order of the Board
Hydoo International Holding Limited
Wang Jianli
Chairman

For the purpose of this announcement, the exchange rate of HK$1 = RMB0.8 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, 25 March 2015

As at the date of this announcement, our executive Directors are Mr. Wang Jianli, Mr. Wang Dewen and Mr. Huang Dehong; our non-executive Directors are Mr. Yuan Bing and Mr. Wang Wei; and our independent non-executive Directors are Mr. Zhao Lihua, Mr. Wang Lianzhou and Mr. Lam, Chi Yuen Nelson.