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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The board of directors (the "**Board**") of Hydoo International Holding Limited (the "**Company**" or "**Hydoo**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2016 (the "**Period**"), together with comparative figures for the preceding period as follows:

Consolidated statement of profit or loss

for the six months ended 30 June 2016 - unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	4	**579,133**	950,165
Cost of sales		**(237,840)**	(511,981)
Gross profit		**341,293**	438,184
Other income	5	**6,684**	65,244
Selling and distribution expenses		**(73,775)**	(82,791)
Administrative and other operating expenses		**(226,930)**	(239,535)
Profit from operations before fair value gain on investment properties		**47,272**	181,102
Fair value gain on investment properties	9	**335,924**	277,643
Profit from operations after fair value gain on investment properties		**383,196**	458,745
Share of loss of a joint venture		**(639)**	—
Fair value change on embedded derivative component of the convertible notes	12	**(656)**	59,264
Loss on early redemption of convertible notes		**(6,747)**	—
Finance income	6(a)	**4,770**	7,396
Finance costs	6(a)	**(123,533)**	(65,263)
Profit before taxation	6	**256,391**	460,142
Income tax	7	**(94,922)**	(179,448)
Profit for the period		**161,469**	280,694
Attributable to:			
Equity shareholders of the Company		**160,641**	271,081
Non-controlling interests		**828**	9,613
Profit for the period		**161,469**	280,694
Earnings per share	8		
Basic (RMB cents)		**4.0**	6.8
Diluted (RMB cents)		**4.0**	5.8

Details of dividends to equity shareholders of the Company are set out in Note 14(a).

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2016 - unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit for the period	**161,469**	280,694
Other comprehensive income for the period (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	**(11,787)**	1,413
Other comprehensive income for the period	**(11,787)**	1,413
Total comprehensive income for the period	**149,682**	282,107
Attributable to:		
Equity shareholders of the Company	**148,854**	272,494
Non-controlling interests	**828**	9,613
Total comprehensive income for the period	**149,682**	282,107

Consolidated statement of financial position

at 30 June 2016 - unaudited

(Expressed in Renminbi)

	Note	**30 June 2016** *RMB'000*	31 December 2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**469,376**	112,331
Investment properties	9	**1,379,100**	778,900
Intangible assets		**3,792**	3,983
Goodwill		**3,631**	3,631
Interest in joint venture		**149,747**	150,386
Other non-current financial assets		**177,402**	111,187
Deferred tax assets		**303,159**	316,049
Prepayment for acquisition of property, plant and equipment		**—**	368,535
Finance lease receivables		**20,944**	6,232
		2,507,151	1,851,234
Current assets			
Inventories		**9,815,035**	9,628,621
Prepaid tax		**119,684**	111,161
Trade and other receivables, prepayments and deposits	10	**1,492,770**	1,393,270
Restricted cash		**1,099,886**	430,638
Cash and cash equivalents		**572,492**	1,688,923
		13,099,867	13,252,613
Current liabilities			
Trade and other payables	11	**4,664,421**	4,277,132
Bank loans and other borrowings		**1,194,930**	938,646
Convertible notes	12	**608,987**	844,906
Current tax liabilities		**1,059,223**	1,106,310
Deferred income		**1,007,183**	988,564
		8,534,744	8,155,558
Net current assets		**4,565,123**	5,097,055
Total assets less current liabilities		**7,072,274**	6,948,289

	Note	**30 June 2016**	31 December 2015
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans and other borrowings		**1,470,030**	1,464,520
Senior notes	13	**643,392**	626,894
Corporate bonds		**7,118**	—
Deferred income		**3,300**	3,524
Deferred tax liabilities		**15,023**	14,771
		2,138,863	2,109,709
NET ASSETS		**4,933,411**	4,838,580
CAPITAL AND RESERVES	14		
Share capital		**31,825**	31,825
Reserves		**4,702,419**	4,604,866
Total equity attributable to equity shareholders of the Company		**4,734,244**	4,636,691
Non-controlling interests		**199,167**	201,889
TOTAL EQUITY		**4,933,411**	4,838,580

Notes
(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with International Accounting Standard (**IAS**) 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 29 August 2016.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 1, *Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

Operating segments, and the amounts of each segment item reported in the interim financial information, 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 period.

4 Revenue

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

Revenue 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 during the period are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Sales of properties	**537,149**	926,625
Property management services	**19,949**	12,551
Rental income	**19,757**	10,660
Others	**2,278**	329
	579,133	950,165

5 Other income

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Dividend income	**1,308**	3,567
Government grants (note (i))	**1,939**	59,701
Fair value gain on financial derivatives	**2,209**	—
Net gain on disposal of available-for-sale investments	**277**	3,303
Net loss on disposal of property, plant and equipment	**(14)**	(2,197)
Others	**965**	870
	6,684	65,244

(i) During the six months ended 30 June 2016, the Group transferred certain completed properties held for sale to investment properties (note 9). No government grants in relation to such properties (six months ended 30 June 2015: RMB 59,701,000) previously recorded as deferred income were recognised in profit or loss as other income during the period.

6 Profit before taxation

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

(a) Finance income and finance costs:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest income	**(4,770)**	(5,409)
Net foreign exchange gain	**—**	(1,987)
Finance income	**(4,770)**	(7,396)
Interest on bank loans, other borrowings and corporate bonds	**85,880**	65,584
Interest on convertible notes (note 12)	**45,665**	48,113
Interest on senior notes (note 13)	**48,117**	—
Less: Interest expenses capitalised into properties under development	**(61,031)**	(48,434)
	118,631	65,263
Net foreign exchange loss	**4,902**	—
Finance costs	**123,533**	65,263

(b) Other items:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Depreciation and amortisation	**16,148**	15,853
Operating lease charges	**28,933**	29,100
Cost of properties sold (i)	**200,919**	482,084
Equity settled share-based payments	**169**	1,126

(i) Cost of properties sold is after netting off benefits from government grants of RMB98,057,000 (six months ended 30 June 2015: RMB114,207,000).

7 Income tax

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**40,515**	101,779
PRC Land Appreciation Tax	**41,264**	49,698
	81,779	151,477
Deferred tax		
Origination and reversal of temporary differences	**13,143**	27,971
	94,922	179,448

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

(b) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax during the period.

(c) PRC Corporate Income Tax ("**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 Company Limited was approved to enjoy a preferential PRC CIT rate of 15% from the years 2012 to 2020 according to a tax notice issued by the local tax bureau.

In December 2015, Wuzhou Hydoo Commercial and Trade Centre Development Co., Ltd. ("**Wuzhou Trade Centre**") was also approved to enjoy a preferential PRC CIT rate of 15% for the years from 2015 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.

(d) PRC Land Appreciation Tax ("**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 3% 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.

(e) 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%.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of RMB160,641,000 (six months ended 30 June 2015: RMB271,081,000) and the weighted average of 4,014,844,000 ordinary shares (six months ended 30 June 2015: 4,014,844,000 ordinary shares).

(b) Diluted earnings per share

For the six months ended 30 June 2016, the effect of both deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration and conversion of convertible notes was anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2015 was based on the profit attributable to equity shareholders of the Company (diluted) of RMB259,930,000 and the weighted average of 4,455,756,000 ordinary shares after adjusting for the effect of deemed issue of shares for nil consideration under the Company's Pre-IPO Share Option Scheme and the effect of conversion of convertible notes.

Weighted average number of ordinary shares for the six months ended 30 June 2015 (diluted):

	RMB'000
Weighted average number of ordinary shares	4,014,844
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	22,045
Effect of conversion of convertible notes	418,867
Weighted average number of ordinary shares (diluted)	4,455,756

9 Investment properties

During the six months ended 30 June 2016, the Group transferred certain completed properties held for sale to investment properties since there was a change in use from sale to earning rental income purpose.

The Group's investment properties carried at fair value were revalued as at 30 June 2016 by Savills Valuation and Professional Services Limited ("**Savills**"), an independent firm of surveyors. The valuation were carried out by Savills with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc., between the comparable properties and the subject property.

A fair value gain of RMB335,724,000 (six months ended 30 June 2015: RMB277,643,000) upon the transfer, and an additional gain in fair value of RMB200,000 (six months ended 30 June 2015: Nil) in respect of existing investment properties, with the total corresponding deferred tax of RMB50,199,000 (six months ended 30 June 2015: RMB69,411,000), had been recognised in the consolidated statement of profit or loss for the period.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB223,200,000 (31 December 2015: RMB179,500,000).

The Group's investment properties are held on leases of between 3 to 15 years in the PRC.

10 Trade and other receivables, prepayments and deposits

	30 June 2016 ***RMB'000***	31 December 2015 *RMB'000*
Trade and bill receivables	**29,200**	44,948
Prepaid PRC value added tax, business tax and others	**137,357**	128,048
Deposits, prepayments and other receivables	**1,290,267**	1,183,445
Finance lease receivables	**35,946**	36,829
	1,492,770	1,393,270

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:

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Within 1 month	**7,272**	30,078
1 to 3 months	**3,720**	—
3 to 6 months	**5,620**	2,735
Over 6 months	**12,588**	12,135
	29,200	44,948

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.

In respect of trade and bill receivables, credit risk is minimized as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

As at 30 June 2016, the Group has no concentration of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the period.

11 Trade and other payables

As at the end of the reporting period, the ageing analysis of trade creditors based on invoice date, is as follows:

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Due within 1 month or on demand	**101,339**	274,578
Due after 1 month but within 3 months	**856,046**	644,849
Due after 3 months but within 6 months	**680,996**	1,088,462
Due after 6 months	**1,059,060**	621,989
Trade and bills payables	**2,697,441**	2,629,878
Receipts in advance	**1,519,630**	1,298,168
Other payables and accruals	**447,350**	349,086
	4,664,421	4,277,132

12 Convertible notes

On 23 January 2015, the Company issued convertible notes in an aggregate principal amount of US dollars ("USD") 120 million due 23 January 2020 ("**Maturity Date**"). The convertible notes bears interest at coupon rate of 7.0% per annum payable semi-annually. Certain Subsidiaries of the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Company under the convertible notes.

Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the convertible notes at 137.48% of its principal amount on the Maturity Date.

In addition, in accordance with the terms and conditions of the convertible notes, the Company shall give the convertible notes holder an internal rate of return of 13.0% upon redemption of the convertible notes under certain circumstances ("**Early Redemption Amount**").

On 11 January 2016, as a result of failure to meet the contracted sales of RMB4.0 billion in 2015, amendments was made to the terms of the convertible notes pursuant to the terms and conditions of the convertible notes. The right of the note holder to require the Company to redeem all or some of the convertible notes was amended to at any time on or after 11 January 2016, instead of 23 January 2018.

On 15 January 2016, the Company redeemed an aggregate principal amount of US$40,000,000 of the outstanding convertible notes upon the request from the note holder and the total outstanding principal amount of the convertible notes was reduced to US$80,000,000. A loss of RMB6,747,000 resulted from the redemption was recorded in profit or loss for the six months ended 30 June 2016.

The original conversion price was HK$1.956 per share. Subsequent to the payment of dividends and failure to meet the contracted sales in 2015 as set out above, the conversion price of the convertible notes was adjusted to HK$1.670.

The conversion option and the redemption option mentioned above are considered as embedded derivative component of the convertible notes and revalued at each reporting date.

The convertible notes recognised in the consolidated statement of financial position of the Group are analysed as follows:

	Host liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
Net proceeds from the issuance of the convertible notes	525,701	210,403	736,104
Interest expense (i) (note 6(a))	48,113	—	48,113
Change in fair value of derivative component	—	(59,264)	(59,264)
Exchange difference	(1,281)	—	(1,281)
Balance at 30 June 2015 and 1 July 2015	572,533	151,139	723,672
Interest expense (i)	60,525	—	60,525
Interest paid	(26,208)	—	(26,208)
Change in fair value of derivative component	—	39,945	39,945
Exchange difference	35,430	11,542	46,972
Balance at 31 December 2015 and 1 January 2016	642,280	202,626	844,906
Interest expenses (i) (note 6(a))	45,665	—	45,665
Interest paid	(41,803)	—	(41,803)
Change in fair value of derivative component	—	656	656
Redemption of convertible notes	(186,765)	(68,002)	(254,767)
Exchange difference	10,998	3,332	14,330
Balance at 30 June 2016	470,375	138,612	608,987

(i) Interest expense

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 22.21% per annum to the liability component.

(ii) Conversion rights exercised

No convertible notes was converted as at 30 June 2016.

13 Senior notes

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
At 1 January	**630,614**	—
Net proceeds from notes issued	**—**	623,642
Interest expenses	**48,117**	3,825
Interest paid	**(44,948)**	—
Exchange difference	**13,408**	3,147
Total	**647,191**	630,614
Less: Interest payable due within 1 year	**(3,799)**	(3,720)
Non-current portion of senior notes	**643,392**	626,894

On 15 December 2015, the Company issued a senior note of US$100 million (equivalent to RMB 646,261,000) at 99.404% with a coupon annual rate of 13.75%. The senior notes will be due in 2018. The net proceeds from the senior notes, after deducting the transaction costs, of US$96,500,000 (equivalent to RMB623,642,000) was received by the Company on 16 December 2015. Interest expense on the senior notes is calculated using the effective interest rate of 15.25% per annum.

14 Capital, reserves and dividends

(a) Dividends

The Board have resolved not to declare any interim dividends for the six months ended 30 June 2016 (six months ended 30 June 2015: nil). Dividends paid to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.5 cents per share (six months ended 30 June 2015: HK6 cents per share)	**51,470**	192,485

(b) Share capital

Authorised and issued share capital

	At 30 June 2016		At 31 December 2015	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**8,000,000**	**80,000**	8,000,000	80,000

Ordinary shares, issued and fully paid:

	Par value	**Number of Shares**	**Nominal value of ordinary shares**	
	HK$	***'000***	***HK$'000***	***RMB'000***
At 1 January 2015, 31 December 2015 and 30 June 2016	0.01	4,014,844	40,148	31,825

There is no changes in ordinary shares during the six months ended 30 June 2016.

15 Non-adjusting events after the reporting period

On 25 August 2016, the Group proposed to issue 11% senior notes in principal amount of US$60,000,000 due 2019 to the subscriber.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Hydoo International Holding Limited, I am pleased to present the interim results of the Group for the six months ended 30 June 2016 (the "**Period**").

FINANCIAL RESULTS

During the Period, the Group's revenue and gross profit reached approximately RMB579.1 million and RMB341.3 million, respectively, representing a decrease of approximately 39.1% and 22.1%, respectively (the revenue and gross profit for the six months ended 30 June 2015: RMB950.2 million and RMB438.2 million, respectively). Basic earnings per share for the Period was RMB4.0 cents (six months ended 30 June 2015: RMB6.8 cents).

MARKET AND OPERATION REVIEW

Stable development of trade and logistics market and innovation of trading model

During the Period, both the domestic and international environment remained complicated and challenging, and the economy was subject to relatively high downward pressure. The Chinese central government was strongly promoting structural reforms on the supply side in order to facilitate the transformation and upgrade of the Chinese economy towards a highly efficient, low-cost and sustainable development model. As the Chinese economy underwent continuous structural adjustment to a "New Normal", the year-on-year growth of China's gross domestic product (the "**GDP**") slid to 6.7% in the first half of 2016, the weakest in over two decades. The slowing growth of the Chinese economy and the sluggish global demand also dampened the Group's sales of properties.

In such complicated and challenging external environment, the Group actively studied and analyzed the market trends, formulated detailed plans on development and operational management, strictly controlled the commencement and construction progress of projects, reinforced the risk management and prevention system and strengthened the management of costs, cash flow and fund safety. During the Period, as a result of the Group's efforts in operational management, its trade center projects continued to develop in a sustained, orderly and stable manner.

While stabilizing the development pace of its trade center projects, the Group also developed and established an innovative trading model termed "Home for Start-up Business (創業家園)" based on factors such as the local economic situation and the local consumption habits of each project. Such model was highly recognized in the local markets and received praises and compliment from the local governments.

Expanding into the financial sector to facilitate business diversification

In the beginning of 2015, the Group commenced the expansion into the financial sector, tapping into various financial markets such as equity investment, industrial fund management, financial leasing and commercial factoring. The Group has established Shenzhen Qianhai Hydoo Financial Leasing Co., Ltd. (深圳市前海毅德融資租賃有限公司), Shenzhen Qianhai Hydoo Equity Investment and Fund Management Co., Ltd. (深圳前海毅德股權投資基金管理有限公司) and Shenzhen Qianhai Hydoo Commercial Factoring Co., Ltd (深圳前海毅德商業保理有限公司) in Qianhai, Shenzhen, China, to provide financial leasing, commercial factoring, asset management and other financial services to small and medium-sized enterprises and other potential customers.

The Group's expansion into the financial markets enabled it to provide financial leasing and other financial services to small and medium-sized enterprises operating in the Group's trade centers, expanded the business scope and increased the operating income of the Group. In addition, it also provided necessary financial support (including the provision of financial professionals, management and operation of online financial platforms and risk management and control and so on) to the O2O integrated trading services platform established by the Group and the construction of smart community and smart city, and laid a solid foundation for the implementation of the Group's next strategic move.

Establishment of O2O integrated trading services platform

Based on the physical markets in its trade center projects, the Group has established "Yiqilai (毅起來)", a "Same City O2O" internet platform. Supported by the trade centers and through using internet technology, the Group aims to form an integrated trading services platform of traditional large-scale markets internet to facilitate online transfers, online transaction, online property management and online financing.

The Group commenced the establishment of an integrated information platform for O2O e-commerce businesses with Mianyang project as the pilot project, which was launched in October 2015. Since then, the platform has been providing efficient and effective value-added services for merchants operating in our trade centers.

Innovative development of the "modern logistic + internet" ecological system model

During the Period, we have established joint ventures in Ganzhou and Mianyang with Shanghai Tiandihui Investment Management Ltd. (上海天地匯投資管理有限公司), which marked the official implementation of the Group's innovative development of the "modern logistic + internet" ecological system model. In cooperation with large platforms which possessed extensive internet resources, and based on the Group's existing solid customer base and the relevant management data and platform, the Group was able to achieve innovative development of the trade and logistics industry with a platform-based, concentrated and collaborative approach.

With the "modern logistic + internet" ecological system model, the Group is committed to create a nationwide, highly-efficient and three-dimensional trade and logistics services platform. Merchants can monitor big data in connection with commodity logistics on a 24-hour basis to improve logistics efficiency and achieve seamless online and offline connection, which helps merchants to solve the problem of last kilometer service radius.

Constructing smart city and smart community with the "internet + community service" model

During the Period, we and vinux (beijing) information technology Co., Ltd. have jointly set up Ganzhou Hydoo-Vinux E-commerce Company Limited (贛州毅德九櫻電子商務有限公司), which marked the official launch of Hydoo's "internet + community service" model. During an economic era of "Internet +", the Group aims to create wholly ecological smart communities and smart cities led by a sharing economy to provide the residents with a comprehensive one-stop package service and welfare platform, integrating consumption, work, finance and security, and eventually to establish systems for the provision of value-added services in the community, sales cooperation services for merchants and urban delivery and logistics services. These systems will help boost the sales and operating income of small and medium-sized merchants operating in our trade centers.

PROSPECTS

The Chinese economy is in a crucial stage of structural adjustment, transformation and upgrade, and the throe of adjustment is still being felt. In the first half of 2016, the industry structure, demand structure and regional structure of the Chinese economy continued to improve based on the previous progress, and the service industry and domestic demand provided stronger support to the stable economic growth. With the old drivers being orderly adjusted and new drivers growing, China's economic growth is becoming more balanced. Whether there will be substantial progress in supply-side structural reforms in the first year of the "13th Five-Year Plan" will have far-reaching impact on China's economic growth in the future.

As the trade and logistics industry grows rapidly, problems such as duplicated construction and product homogeneity among trade and logistics parks in China begin to appear, which is far from meeting the requirement for China's economic growth under the "New Normal" and is not able to adapt to the change in the demand side of the market for platform-based, concentrated and collaborative trade and logistics parks with high standards. As an operator serving small and medium-sized enterprises and merchants, the Group will step up its effort to meet the merchants' operational and development needs and provide full industry chain operation services to the merchants. We will consistently improve the balance between supply and demand in the market and proactively adapt to the requirements of economic development under the "New Normal" through continuous innovation and internal "supply-side reforms".

In line with the integration of business, logistics, capital and information of the trade and logistics sector, the Group will develop new businesses and models for mobile internet, communities and finance. We will also put greater efforts in the transition between new and traditional businesses in an orderly and effective manner, and introduce the Group's standards for the development of the integrated trade and logistics industry in an effort to enhance the popularity and reputation of the Hydoo brand.

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, 29 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales Performance

During the Period, the Group recorded contracted sales of approximately RMB1,100.7 million and contracted sales area of 234,951 sq.m., representing a decrease of 41.3% and 18.3%, respectively (six months ended 30 June 2015: approximately RMB1,875.8 million and 287,453 sq.m.). During the Period, the Chinese economy experienced a period of weak GDP growth and the sluggish economic environment presented varying degrees of challenges in the Group's operating markets. As a result, the Group's contracted sales were inevitably affected. Contracted sales recorded during the Period were primarily in relation to the pre-sale of properties for projects in Yulin, Bengbu, Lanzhou and Wuzhou.

Details of contracted sales recorded during the Period are shown in the table below:

	For the six months ended 30 June					
	2016			2015		
	Contracted sales area	**Average contracted sales price (before deduction of business tax, value added tax and surcharges)**	**Contracted sales amount (before deduction of business tax, value added tax and surcharges)**	Contracted sales area	Average contracted sales price (before deduction of business tax and surcharges)	Contracted sales amount (before deduction of business tax and surcharges)
	contracted sales area in sq.m., average contracted sales price in RMB per sq.m. and contracted sales amount in thousands of RMB					
Yulin Trade Center						
Wholesale trading market units	**62,244**	**5,169**	**321,736**	712	5,971	4,251
Shopping mall	**60**	**13,150**	**789**	930	12,055	11,211
Bengbu Commercial and Residential Project						
Residence	**62,205**	**2,682**	**166,840**	—	—	—

	For the six months ended 30 June					
	2016			2015		
	Contracted sales area	**Average contracted sales price (before deduction of business tax, value added tax and surcharges)**	**Contracted sales amount (before deduction of business tax, value added tax and surcharges)**	Contracted sales area	Average contracted sales price (before deduction of business tax and surcharges)	Contracted sales amount (before deduction of business tax and surcharges)
	contracted sales area in sq.m., average contracted sales price in RMB per sq.m. and contracted sales amount in thousands of RMB					
Lanzhou Trade Center						
Wholesale trading market units	**18,046**	**7,969**	**143,812**	66,275	7,888	522,780
Wuzhou Trade Center						
Wholesale trading market units	**25,927**	**5,516**	**143,000**	24,969	5,332	133,143
Shopping mall	**142**	**3,845**	**546**	1,066	8,302	8,850
Xingning Trade Center						
Wholesale trading market units	**15,495**	**5,840**	**90,488**	147,580	6,291	928,430
Ganzhou Trade Center						
Wholesale trading market units	**281**	**10,534**	**2,960**	2,989	10,383	31,036
Shopping mall	**79**	**8,253**	**652**	—	—	—
Residence	**21,843**	**3,971**	**86,734**	—	—	—
Jining Trade Center						
Wholesale trading market units	**4,396**	**5,070**	**22,286**	12,498	4,608	57,590
Residence	**9,235**	**4,292**	**39,635**	6,795	4,387	29,810
Heze Trade Center						
Wholesale trading market units	**11,534**	**5,173**	**59,663**	16,540	5,865	97,002
Yantai Trade Center						
Wholesale trading market units	**2,555**	**6,917**	**17,674**	—	—	—
Mianyang Trade Center						
Wholesale trading market units	**777**	**4,541**	**3,528**	7,099	7,289	51,744
Ningxiang Trade Center						
Serviced apartment	**132**	**2,879**	**380**	—	—	—
Total	**234,951**	**4,685**	**1,100,723**	287,453	6,526	1,875,847

Land Acquisition and Land Bank

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

During the Period, we acquired land-use rights with an aggregate total site area of approximately 0.2 million sq.m., which is expected to have an aggregate estimated gross floor area ("**GFA**") of approximately 0.2 million sq.m.. As of 30 June 2016, we had a total land bank of approximately 11.1 million sq.m., and we were simultaneously developing 14 projects in 9 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	720,023	309,714	2,361,835	3,391,572	557,321	2,834,251
Lanzhou Trade Center	266,509	295,315	1,559,313	2,121,137	64,103	2,057,034
Xingning Trade Center	208,902	209,873	712,777	1,131,552	162,849	968,703
Wuzhou Trade Center	452,759	—	621,089	1,073,848	179,712	894,136
Bengbu Commercial and Residential Project	—	236,471	725,751	962,222	—	962,222
Jining Trade Center	561,805	304,721	476,954	1,343,481	414,176	929,305
Heze Trade Center	247,166	54,680	320,436	622,283	100,468	521,815
Jiamusi Trade Cente	—	6,344	483,089	489,433	—	489,433
Yulin Trade Center	282,631	152,415	262,054	697,100	176,070	521,030
Yantai Trade Cente	—	154,212	191,228	345,440	—	345,440
Mianyang Trade Center	479,026	—	65,962	544,988	370,941	174,047
Ningxiang Trade Center	381,949	61,518	—	443,467	280,660	162,807
Liuzhou Trade Center	—	—	267,659	267,659	—	267,659
Haode Yinzuo	48,650	—	—	48,650	38,780	9,870
Total	3,649,420	1,785,263	8,048,147	13,482,832	2,345,080	11,137,752

Our Projects

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. There are two major railways intersecting in Ganzhou, namely 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 expected to be developed at least in two phases, and is estimated to have a total GFA of approximately 3.4 million sq.m. upon full completion. As of 30 June 2016, we had acquired all the land-use rights for this trade center project.

As of 30 June 2016, we had completed the construction of the wholesale trading markets and shopping malls. We are currently constructing a food street, additional shopping malls, warehouses, a residential area, and supporting buildings and facilities. As part of our future development plan, we are planning to construct a commercial and exhibition center, additional shopping malls, office buildings, hotels and additional wholesale trading markets.

Lanzhou Trade Center

Lanzhou Trade Center is located in Yuzhong County, Lanzhou, which is next to the community of Lanzhou College. It is located in the south of 312 Qinling Highway and National Road and the north of 309 National Road, 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. and has an aggregate estimated GFA of approximately 6.0 million sq.m which is expected to be developed at least in two phases. As of 30 June 2016, we had acquired land-use rights encompassing a total site area of 1,372,963 sq.m. with an expected total GFA of approximately 2,121,137 sq.m. upon completion.

As of 30 June 2016, for this trade center project, we had completed the construction of the wholesale trading markets and a commercial pedestrian street. We are currently constructing additional wholesale trading markets. As part of our future development plan, we are planning to construct shopping malls, a hotel, an office building, warehouses and additional wholesale trading markets.

Xingning Trade Center

Xingning Trade Center is located in the northeast of the Xingning train station in Diaofang. Xingning is a city governed by Meizhou city, situated in the 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. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in three phases. As of 30 June 2016, we had acquired land-use right encompassing a total site area of 804,963 sq.m. with a total GFA of approximately 1,131,552 sq.m. upon completion of development.

As of 30 June 2016, for this trade center project, we had completed the construction of the wholesale trading markets, serviced apartments and certain supporting buildings and facilities. We are currently constructing shopping malls and additional wholesale trading markets. As part of our future development plan, we are planning to construct a hotel, a residential area, an office building, warehouse, additional wholesale trading markets and shopping malls.

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.

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 30 June 2016, 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 approximately 1,073,848 sq.m. upon full completion of Phase I development.

As of 30 June 2016, for this trade center project, we had completed the construction of wholesale trading markets, shopping malls, a commercial and exhibition center and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct a residential area, an office building, serviced apartments and a hotel.

Bengbu Commercial and Residential Project

Bengbu Commercial and Residential Project is located in Huaiyuan County, Bengbu, northeast of Anhui Province. It is located west of Beijing-Shanghai Railway and Beijing-Shanghai High-speed Railway, at the junction of National Road 206, Provincial Highway 307, Provincial Highway 225 and other highways. It is approximately 25 kilometers, 30 kilometers and 120 kilometers from downtown Bengbu, the railway station and the airport of Hefei, respectively.

Bengbu Commercial and Residential Project covers a net land area of approximately 363,737 sq.m., which is expected to be developed at least in two phases, and is estimated to have a total GFA of approximately 962,222 sq.m. when fully completed. As of 30 June 2016, we had acquired all the land-use rights for this commercial and residential project.

As of 30 June 2016, for this commercial and residential project, we are currently constructing a residential area and certain supporting buildings and facilities. As part of our future development plan, we are planning to develop a residential area, a commercial center, a hotel and certain supporting buildings and facilities.

Jining Trade Center

Jining Trade Center is located approximately six 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 ten 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 30 June 2016, 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 approximately 1,343,481 sq.m. upon full completion of Phase I and Phase II.

As of 30 June 2016, for this trade center project, we had completed the construction of wholesale trading markets and a shopping mall. We are currently constructing a commercial center, a hotel, an office building, a residential area and a commercial and exhibition center. As part of our future development plan, we are planning to construct warehouses, serviced apartments and office buildings.

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 30 June 2016, we had acquired land-use rights for all of Phase I and a portion of Phase II encompassing a total site area of 587,239 sq.m. with a total planned GFA of approximately 622,283 sq.m. upon completion of Phase I and Phase II development.

As of 30 June 2016, for this trade center project, we had completed the construction of the wholesale trading markets and certain supporting buildings and facilities. We are constructing a shopping mall. As part of our future development plan, we are planning to construct office buildings, serviced apartments, a residential area and additional wholesale trading markets.

Jiamusi Trade Center

Jiamusi Trade Center is located in Jiamusi City, the core city and transportation hub in eastern Heilongjiang. It is located approximately ten kilometers west of Jiamusi's city hall, in the north of Youyi Road (the urban main road), and one kilometer from Ha-Tong Freeway.

Jiamusi Trade Center is estimated 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 several phases. As of 30 June 2016, we had acquired land-use rights for the Phase I development, encompassing a total site area of 484,708 sq.m., with a total planned GFA of approximately 489,433 sq.m..

As of 30 June 2016, we were constructing a commercial and exhibition center. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, a hotel and certain supporting buildings and facilities.

Yulin Trade Center

Yulin Trade Center is located approximately two 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 three kilometers from Guang-Kun Freeway and is within ten 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 several phases. As of 30 June 2016, we had acquired land-use rights for all of Phase I, Phase II and a portion of Phase III, encompassing a total site area of 504,889 sq.m. with a total planned GFA of approximately 697,100 sq.m. upon full completion of Phase I, Phase II and Phase III development.

As of 30 June 2016, for this trade center project, we had completed construction of several wholesale trading markets and shopping malls. We are currently constructing a commercial and exhibition centre and additional wholesale trading markets. As part of our future development plan, we are planning to construct serviced apartments, a food street, a residential area and additional wholesale trading markets.

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. and has an aggregate estimated GFA of approximately 2.4 million sq.m., which is expected to be developed in several phases. As of 30 June 2016, we had acquired land-use rights for all of Phase I, encompassing a total site area of 160,056 sq.m. with a total planned GFA of 345,440 sq.m. upon completion.

As of 30 June 2016, for this trade center project, we were constructing a commercial and exhibition center, certain shopping malls and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct wholesale trading markets, an office building and serviced apartments.

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 connect Sichuan province and western and northern China.

Mianyang Trade Center covers a net land area of approximately 605,084 sq.m., which is expected to be developed in several phases, and is estimated to have a total GFA of approximately 544,988 sq.m. when fully completed. As of 30 June 2016, we had acquired all the land-use rights for this trade center project.

As of 30 June 2016, for this trade center project, we had completed the construction of wholesale trading markets, a commercial pedestrian street and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct additional wholesale trading markets and a hotel.

Ningxiang Trade Center

Ningxiang Trade Center is located approximately three kilometers west of the city center of Ningxiang, a county in Changsha, which is 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 several phases. As of 30 June 2016, 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 approximately 443,467 sq.m. upon full completion of Phase I.

As of 30 June 2016, for this trade center project, we had 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 were constructing a hotel.

Liuzhou Trade Center

Liuzhou Trade Center is located in Liujiang Town, Liuzhou City, Guangxi Zhuang Autonomous Region. It is located in the east of Xianggui railway, and in the south of Liujiang Road.

Liuzhou Trade Center is estimated to cover a site area of approximately 1.2 million sq.m. and has an aggregate estimated GFA of approximately 1.5 million sq.m., which is expected to be developed in several phases. As of 30 June 2016, we had acquired the land-use rights for all of Phase I, encompassing a total site area of 259,577 sq.m., with a total planned GFA of approximately 267,659 sq.m..

As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, and certain supporting buildings and facilities.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB371.1 million, or 39.1%, from RMB950.2 million for the six months ended 30 June 2015 to RMB579.1 million for the Period. This decrease was primarily caused by the decrease in revenue from the sales of properties. The following table sets forth our revenue from the sales of properties, rental income, property management services and others during the periods indicated:

	For the six months ended 30 June			
	2016		2015	
	(RMB'000)	***%***	*(RMB'000)*	*%*
Sales of properties	**537,149**	**92.8**	926,625	97.5
Property management services	**19,949**	**3.4**	12,551	1.3
Rental income	**19,757**	**3.4**	10,660	1.1
Others	**2,278**	**0.4**	329	0.1
Total	**579,133**	**100.0**	950,165	100.0

Sales of Properties

Revenue from the sales of properties decreased by RMB389.5 million, or 42.0%, from RMB926.6 million for the six months ended 30 June 2015 to RMB537.1 million for the Period. The decrease of the sales of properties was in line with the decrease in the GFA of the properties sold, which decreased by 42,127 sq.m., or 31.6%, from 133,508 sq.m. for the six months ended 30 June 2015 to 91,381 sq.m. for the Period. The decrease of the GFA of properties sold was mainly attributable to the slow-down in the Chinese economy and the decrease in contracted sales and delivery of completed properties during the Period. Our revenue from the sale of properties for the Period was primarily derived from the sales of wholesale trading market units at our Wuzhou Trade Center, Lanzhou Trade Center and Xingning Trade Center.

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

	For the six months ended 30 June					
	2016			2015		
	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					
Wuzhou Trade Center						
Wholesale trading market units	**34,162**	**5,230**	**178,666**	—	—	—
Shopping mall	**263**	**6,251**	**1,644**	1,928	8,595	16,571
Subtotal	**34,425**	**5,238**	**180,310**	1,928	8,595	16,571
Lanzhou Trade Center						
Wholesale trading market units	**15,787**	**7,800**	**123,137**	—	—	—
Subtotal	**15,787**	**7,800**	**123,137**	—	—	—
Xingning Trade Center						
Wholesale trading market units	**21,715**	**5,646**	**122,595**	37,709	6,045	227,949
Subtotal	**21,715**	**5,646**	**122,595**	37,709	6,045	227,949
Heze Trade Center						
Wholesale trading market units	**11,380**	**4,880**	**55,534**	16,645	5,626	93,647
Subtotal	**11,380**	**4,880**	**55,534**	16,645	5,626	93,647
Mianyang Trade Center						
Wholesale trading market units	**6,041**	**6,294**	**38,021**	14,720	6,410	94,362
Subtotal	**6,041**	**6,294**	**38,021**	14,720	6,410	94,362
Ganzhou Trade Center						
Wholesale trading market units	**789**	**13,053**	**10,299**	33,885	8,499	288,004
Shopping mall	**354**	**10,831**	**3,834**	11,020	10,118	111,498
Subtotal	**1,143**	**12,365**	**14,133**	44,905	8,897	399,502

	For the six months ended 30 June					
	2016			2015		
	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					
Jining Trade Center						
Wholesale trading market units	**653**	**3,951**	**2,580**	12,770	4,452	56,855
Subtotal	**653**	**3,951**	**2,580**	12,770	4,452	56,855
Ningxiang Trade Center						
Serviced apartments	**237**	**3,540**	**839**	—	—	—
Subtotal	**237**	**3,540**	**839**	—	—	—
Yulin Trade Center						
Wholesale trading market units	**—**	**—**	**—**	2,407	5,256	12,651
Shopping mall	**—**	**—**	**—**	1,951	11,473	22,384
Subtotal	**—**	**—**	**—**	4,358	8,039	35,035
Other Properties						
Haode Yinzuo	**—**	**—**	**—**	473	5,717	2,704
Subtotal	**—**	**—**	**—**	473	5,717	2,704
Total	**91,381**	**5,878**	**537,149**	133,508	6,941	926,625

Property Management Services

Revenue from property management services increased by RMB7.3 million, from RMB12.6 million for the six months ended 30 June 2015 to RMB19.9 million for the Period. This increase primarily reflected the continued expansion of our property management portfolio.

Rental Income

Revenue from rental income increased by RMB9.1 million, or 46.0%, from RMB10.7 million for the six months ended 30 June 2015 to RMB19.8 million for the Period. The increase was primarily due to the increase in leasing area.

Cost of Sales

Cost of sales decreased by RMB274.2 million or 53.6%, from RMB512.0 million for the six months ended 30 June 2015 to RMB237.8 million for the Period. The decrease in cost was in line with the decrease in the GFA of properties sold during the Period.

Gross Profit and Margin

As a result of the foregoing, gross profit decreased by RMB96.9 million, or 22.1%, from RMB438.2 million for the six months ended 30 June 2015 to RMB341.3 million for the Period. Our gross profit margin increased from 46.1% for the six months ended 30 June 2015 to 58.9% for the Period. The increase in our gross profit margin for the Period compared to the six months ended 30 June 2015 was primarily due to a significant proportion of revenue being generated from Wuzhou Trade Center, Lanzhou Trade Center and Xingning Trade Center of our overall revenue for the Period, which yielded a relatively higher gross profit margin compared to that of Ganzhou Trade Center and Mianyang Trade Center, which contributed to a significant proportion of our revenue for the six months ended 30 June 2015.

Other Income

Other income decreased by RMB58.5 million, or 89.7%, from RMB65.2 million for the six months ended 30 June 2015 to RMB6.7 million for the Period. The decrease was mainly due to that no government grants in relation to investment properties previously recorded as deferred income were recognised in profit or loss as other income during the Period (six months ended 30 June 2015: RMB59.7 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB9.0 million, or 10.9%, from RMB82.8 million for the six months ended 30 June 2015 to RMB73.8 million for the Period. The decrease primarily reflected a decrease in the pre-sale of properties in the Period.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by RMB12.6 million, or 5.3%, from RMB239.5 million for the six months ended 30 June 2015 to RMB226.9 million for the Period. The decrease primarily reflected a decrease in staff-related expenses during the Period.

Fair Value Gain on Investment Properties

During the Period, the Group transferred certain completed properties held for sale to investment properties, since there was a change in use from sale to earning rental income purpose. The Group's investment properties carried at fair value as of 30 June 2016 were valued using the income capitalization method by Savills. During the Period, the Group recorded a fair value gain of RMB335.9 million (six months ended 30 June 2015: RMB277.6 million).

Fair Value Change on Embedded Derivative Component of the Convertible Notes

On 23 January 2015, the Company issued convertible notes in an aggregate principal amount of US dollars ("**US$**") 120 million due 23 January 2020 (the "**Maturity Date**"). The Notes (as define below) bear interest at 7.00% per annum payable semi-annually. Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the Notes at 137.48% of its principal amount on the Maturity Date. In accordance with the terms and conditions of the Notes, the Company shall give the Sole Noteholder (as define below) an internal rate of return of 13% upon redemption of the Notes under certain circumstances. The conversion option and the redemption option are considered as embedded derivative component of the Notes and revalued at each reporting date. For the Period, the Group recorded a fair value loss amounting to RMB0.7 million (six months ended 30 June 2015: fair value gain of RMB59.3 million).

Finance Income

Our finance income decreased by RMB2.6 million, from RMB7.4 million for the six months ended 30 June 2015 to RMB4.8 million for the Period. The decrease reflected a decrease in interest income from our bank deposit.

Finance Costs

Our finance costs increased by RMB58.2 million, or 89.1%, from RMB65.3 million for the six months ended 30 June 2015 to RMB123.5 million for the Period. The increase was primarily due to the finance costs of the Senior Notes (as define below).

Income Tax

Our income tax expense decreased by RMB84.5 million, or 47.1%, from RMB179.4 million for the six months ended 30 June 2015 to RMB94.9 million for the Period. Such decrease was in line with the decrease in revenue during the Period.

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

As a result of the foregoing, our profit decreased by RMB119.2 million, or 42.5%, from a net profit of RMB280.7 million for the six months ended 30 June 2015 to a net profit of RMB161.5 million for the Period. Our profit attributable to equity shareholders of the Company decreased by RMB110.5 million, or 40.8%, from RMB271.1 million for the six months ended 30 June 2015 to RMB160.6 million for the Period.

Restricted Cash

Restricted cash amounted to RMB1,099.9 million as of 30 June 2016 compared to RMB430.6 million as of 31 December 2015. As of 30 June 2016, the restricted cash was pledged to banks for certain mortgage facilities granted to purchasers of the Group's properties with a carrying amount of RMB221.7 million (31 December 2015: RMB224.4 million), pledged for bank loans granted to the Group with a carrying amount of RMB458.2 million (31 December 2015: RMB206.2 million), and pledged for bills payables granted to the Group with a carrying amount of RMB420.0 million (31 December 2015: Nil).

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, and other regular business operation needs. To date, we have primarily financed our operational expenditures through internally generated cash flows including proceeds from the pre-sale and sales of properties, equity investments made by our pre-IPO investors, borrowings from commercial banks and other lenders and proceeds from our initial public offering and proceeds from the issuance of the convertible notes and the senior notes.

Bank Loans and Other Borrowings

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

	At 30 June 2016	At 31 December 2015
	(RMB'000)	*(RMB'000)*
Current		
Secured		
– short term bank loans and other borrowings	**578,310**	309,366
– current portion of secured non-current bank loans and other borrowings	**616,620**	629,280
Subtotal	**1,194,930**	938,646
Non-current		
Secured		
– repayable after 1 year but within 2 years	**1,094,500**	233,260
– repayable after 2 years but within 5 years	**375,530**	1,231,260
Subtotal	**1,470,030**	1,464,520
Total	**2,664,960**	2,403,166

As of 30 June 2016, the bank loans and other borrowings are all denominated in Renminbi, of which RMB831,400,000 (31 December 2015: RMB1,033,150,000) bear fixed rates and the remainder bear variable interest rates.

Bank loans and other borrowings bear interest rates ranging from 2.12% to 9.025% per annum for the Period (31 December 2015: 2.12% to 10.23%) and are secured by the following assets:

	At 30 June 2016	At 31 December 2015
	(RMB'000)	*(RMB'000)*
Properties under development for sale	**1,693,708**	881,683
Completed properties held for sale	**1,167,138**	1,146,723
Property, plant and equipment	**368,535**	—
Properties held for future development for sale	**322,084**	687,252
Restricted cash	**458,176**	206,190
Investment Properties	**223,200**	179,500
Prepayment for acquisition of property, plant and equipment	**—**	368,535
Total	**4,232,841**	3,469,883

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 normal 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 30 June 2016, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,428.8 million.

COMMITMENTS

At the end of the reporting periods indicated, the Group's outstanding commitments contracted but not provided for in respect of property development expenditure are as follows:

	At 30 June 2016 (RMB'000)	At 31 December 2015 (RMB'000)
Construction and development contracts	**1,763,357**	2,146,456
Land agreements	**193,702**	228,770
Total	**1,957,059**	2,375,226

KEY FINANCIAL RATIOS

The following table sets out our current ratios, gearing ratios and net gearing ratio as of the end of the reporting periods indicated.

	At 30 June 2016	At 31 December 2015
Current ratio [1]	**1.53**	1.62
Gearing ratio [2]	**25.1%**	25.7%
Net gearing ratio[3]	**45.6%**	36.3%

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, the convertible notes and the senior notes) 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, the convertible notes and the senior notes, 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%.

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Other than certain overseas bank deposits, interests in joint ventures, the convertible notes and the senior notes denominated in foreign currencies, the Group does not have any material exposure directly due to foreign exchange fluctuations. The Group maintains a conservative approach on foreign exchange exposure management, and manages and reviews its exposure to foreign exchange fluctuations on a regular basis. At times of exchange rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards will be used in the management of exposure to foreign exchange fluctuations. In May 2016, the Group entered into a US$100 million currency option agreement and will continue to seek foreign exchange hedging instruments at a reasonable cost to manage foreign exchange risk more effectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Period.

RESTRICTION ON SALES

As of 30 June 2016, we were simultaneously developing 14 trade center projects in 9 provinces and autonomous regions in China. Under the terms of certain master investment agreements with local government authorities regarding the development, such as our agreements in relation to Ningxiang, Mianyang, Ganzhou and Liuzhou 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 of 30 June 2016, the Group had a workforce of approximately 1,960 people. The number of staff had decreased by 16.9% since 31 December 2015. The total employee benefit expenses for the Period amounted to RMB132.3 million, decreased by 28.8% (six months ended 30 June 2015: RMB170.4 million). We actively recruit skilled and qualified personnel in the Chinese local markets, including students graduated from universities as well as personnel with relevant work experience. For the senior management team and selected management positions, we 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. As of 30 June 2016, the number of outstanding share options granted by the Company to its directors and employees is 65,755,000 shares.

CORPORATE GOVERNANCE

The Board is of the 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 Period.

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 (the "**Model Code**") set forth in Appendix 10 of the Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the 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 black-out period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") was set up 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 as set out in Appendix 14 to the Listing Rules and the roles and responsibilities delegated to the Audit Committee by the Board. The revised terms of references has been adopted by the Board on 29 December 2015 to comply with the new CG Code which became effective on 1 January 2016. The primary duties of the Audit Committee are to review the financial information of the Company, to oversee the financial reporting process, risk management and internal control systems of the Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently consists of two independent non-executive Directors, Mr. Lam, Chi Yuen Nelson (being the chairman of the Audit Committee) and Mr. Zhao Lihua, and one non-executive Director, Mr. Yuan Bing. The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results and financial report for the Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The interim financial report for the Period is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period.

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.

ISSUANCE OF 7.00% CONVERTIBLE NOTES DUE 2020

On 23 January 2015, to leverage the investor's expertise in commercial and logistics property investment and to further enhance the Company's growth in the specialized trade center and logistics projects, the Company issued the 7.00% convertible notes with an aggregate principal amount of US$120,000,000 (the "**Notes**"), which are due in 2020, to Pingan Real Estate Capital Limited (formerly named Pingan Real Estate (Hong Kong) Company Limited) (the "**Sole Noteholder**"). The Notes are exchangeable into shares of the Company, and are unconditionally and irrevocably guaranteed by certain subsidiaries of the Company (the "**Subsidiary Guarantors**"). The proceeds from the issuance of the Notes will be used for investing in existing and new projects including expansion of the Group's logistics business and/or other general corporate finance purposes.

Pursuant to the terms and conditions of the Notes, as a result of the final dividend paid by the Company for the year ended 31 December 2014, an adjustment was made to the conversion price of the Notes from HK$1.956 per share to HK$1.884 per share effective from 20 May 2015, being the ex-entitlement day. As of 31 December 2015, the maximum number of shares of the Company that will be issued upon conversion of all the outstanding Notes of US$120,000,000 at the previous conversion price and the adjusted conversion price is 475,742,331 shares and 493,923,567 shares respectively, representing an increase of 18,181,236 shares (the "**Additional Conversion Shares**") issuable under the Notes. The Additional Conversion Shares will be issued pursuant to the general mandate granted to the Directors by the shareholders pursuant to an ordinary resolution passed at the general meeting of the Company held on 13 May 2014.

On 11 January 2016, the Company, the Subsidiary Guarantors and Citicorp International Limited (the "**Trustee**") entered into the first amendment to indenture, pursuant to which the Company, the Subsidiary Guarantors and the Trustee agreed to amend certain terms of the Notes (the "**Amendments**"). The Company has obtained the consent from the Sole Noteholder to adopt the Amendments, and has obtained approval from the Stock Exchange for the Amendments under Rule 28.05 of the Listing Rules on 13 January 2016 and the Amendments became effective accordingly.

The major amendments of the Notes are summarized as follows:

(a) In order to bring certain terms of the Notes in line with those under the US$100 million 13.75% senior notes due 2018 issued by the Company (the "**Senior Notes**") (details of which are set forth in the announcements of the Company dated 2 December 2015, 8 December 2015 and 17 December 2015 in relation to the issuance of the Senior Notes), certain definitions of the terms including "Consolidated EBITDA", "Consolidated Net Income", "Minority Joint venture", "Other Financing", "Permitted Businesses", "Permitted Investment", "Temporary Cash Investment", "Permitted Indebtedness", and covenants in relation to limitation on restricted payments, were amended; and

(b) The right of the Sole Noteholder to require the Company to redeem all or some of the Notes at its early redemption amount was amended with the effect that such right shall be exercisable at any time on or after 11 January 2016, instead of 23 January 2018.

On 14 January 2016, the Sole Noteholder has delivered a notice of exercise which requires the Company to redeem on 15 January 2016 an aggregate principal amount of US$40,000,000 of the outstanding Notes at the early redemption amount (being an aggregate amount of approximately US$43,594,100). The redeemed Notes have been cancelled, and the total outstanding principal amount of the Notes is US$80,000,000, which is convertible to 329,282,378 shares of the Company upon full conversion.

Pursuant to the terms and conditions of the Notes, since the contracted sales of the Company from 1 January 2015 to 31 December 2015 are less than the minimum contracted sales target of RMB4.0 billion in aggregate, an adjustment was made to the conversion price of the Notes from HK$1.884 per share to HK$1.696 per share effective from 31 December 2015. Based on the total outstanding principal amount of the Notes of US$80,000,000, the maximum number of shares of the Company that will be issued upon conversion of all the outstanding Notes at the previous conversion price and the adjusted conversion price is 329,282,378 shares of the Company and 365,783,019 shares of the Company, respectively, representing an increase of 36,500,641 shares of the Company issuable under the Notes. Such additional conversion shares will be issued pursuant to the general mandate granted to the Directors by the shareholders pursuant to an ordinary resolution passed at the general meeting of the Company on 15 May 2015.

Pursuant to the terms and conditions of the Notes, as a result of the final dividend paid by the Company for the year ended 31 December 2015, an adjustment was made to the conversion price of the Notes from HK$1.696 per share to HK$1.670 per share effective from 17 May 2016, being the ex-entitlement day. As of 30 June 2016, based on the total outstanding principal amount of the Notes of US$80,000,000, the maximum number of shares of the Company that will be issued upon conversion of all the outstanding Notes at the previous conversion price and the adjusted conversion price is 365,783,019 shares of the Company and 371,468,765 shares of the Company, respectively, representing an increase of 5,685,746 shares of the Company issuable under the Notes. Such additional conversion shares will be issued pursuant to the general mandate granted to the Directors by the shareholders pursuant to an ordinary resolution passed at the general meeting of the Company on 15 May 2015.

Please refer to the Company's announcements dated 9 January 2015, 26 January 2015, 7 July 2015, 11 January 2016, 14 January 2016, 31 March 2016, 31 May 2016 and its annual report for the year ended 31 December 2015 for details on the Notes.

ISSUANCE OF 13.75% SENIOR NOTES DUE 2018

On 15 December 2015, the Company issued 13.75% Senior Notes with an aggregate principal amount of US$100,000,000, which are due in 2018. The Senior Notes are listed and traded on The Singapore Exchange Securities Trading Limited.

Please refer to the Company's announcements dated 2 December 2015, 8 December 2015 and 17 December 2015 for details on the Senior Notes.

EVENT AFTER THE REPORTING PERIOD

Proposed Issue of the Notes

On 25 August 2016, the Company and certain subsidiary guarantors entered into a subscription agreement with China Orient Alternative Investment Fund, pursuant to which the Company agreed to issue and China Orient Alternative Investment Fund agreed to subscribe for US$60,000,000, 11% senior notes due 2019.

The completion of the notes issue is subject to the terms and conditions of the aforementioned subscription agreement.

Please refer to the Company's annoucement dated 25 August 2016 for details on the notes.

THE BOARD OF DIRECTORS

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

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

This interim 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 2016 Interim Report will be dispatched to the shareholders of the Company 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 US$1 = RMB6.6312 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, 29 August 2016

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