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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS

The board of directors (the "**Board**") of Hydoo International Holding Limited (the "**Company**" or "**Hydoo**") hereby announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (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 2018 - unaudited
(Expressed in Renminbi)

	Note	**Six months ended 30 June** **2018** *RMB'000*	2017 (Note) *RMB'000*
Revenue	4	**922,619**	726,330
Cost of sales		**(558,805)**	(463,931)
Gross profit		**363,814**	262,399
Other income	5	**77,609**	125,822
Selling and distribution expenses		**(40,953)**	(61,435)
Administrative and other operating expenses		**(230,948)**	(191,920)
Profit from operations before fair value gain on investment properties		**169,522**	134,866
Fair value gain on investment properties	9	**145,272**	222,932
Profit from operations after fair value gain on investment properties		**314,794**	357,798
Share of loss of an associate		**(353)**	—
Share of loss of a joint venture		**(1,606)**	(1,062)
Finance income	6(a)	**12,163**	3,562
Finance costs	6(a)	**(172,036)**	(148,313)
Profit before taxation	6	**152,962**	211,985
Income tax	7	**(117,553)**	(160,953)
Profit for the period		**35,409**	51,032
Attributable to:			
Equity shareholders of the Company		**30,536**	44,618
Non-controlling interests		**4,873**	6,414
Profit for the period		**35,409**	51,032
Earnings per share	8		
Basic (RMB cents)		**0.8**	1.1
Diluted (RMB cents)		**0.8**	1.1

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

Consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2018 - unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017 (Note)
	RMB'000	*RMB'000*
Profit for the period	**35,409**	51,032
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	**(11,806)**	36,942
Other comprehensive income for the period	**(11,806)**	36,942
Total comprehensive income for the period	**23,603**	87,974
Attributable to:		
Equity shareholders of the Company	**18,730**	81,560
Non-controlling interests	**4,873**	6,414
Total comprehensive income for the period	**23,603**	87,974

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

Consolidated statement of financial position
at 30 June 2018 - unaudited
(Expressed in Renminbi)

	Note	**30 June 2018**	31 December 2017 (Note)
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**452,019**	457,896
Investment properties	9	**2,667,600**	2,259,900
Intangible assets		**18,711**	19,555
Goodwill		**2,252**	2,252
Interest in an associate		**3,347**	3,700
Interest in joint venture		**144,845**	146,451
Other financial assets	10	**112,639**	84,731
Deferred tax assets		**163,563**	148,399
Finance lease receivables		**34,102**	19,155
		3,599,078	3,142,039
Current assets			
Inventories and other contract costs	11	**7,799,286**	8,234,259
Prepaid tax		**112,550**	95,437
Other financial assets	10	**83,895**	13,548
Trade and other receivables	12	**1,299,952**	1,088,503
Other current assets	13	**—**	371,000
Pledged and restricted cash		**685,956**	857,666
Cash and cash equivalents		**671,186**	1,000,443
		10,652,825	11,660,856
Current liabilities			
Trade and other payables	14	**2,425,899**	4,152,778
Contract liabilities	2	**1,404,223**	—
Bank loans and other borrowings		**766,300**	1,201,859
Senior notes	15	**407,056**	1,042,899
Corporate bonds	16	**6,735**	6,665
Current tax liabilities		**725,098**	869,706
Deferred income		**671,506**	716,672
		6,406,817	7,990,579
Net current assets		**4,246,008**	3,670,277
Total assets less current liabilities		**7,845,086**	6,812,316

	Note	30 June 2018	31 December 2017 (Note)
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans and other borrowings		**978,125**	861,770
Senior notes	15	**1,232,090**	390,964
Corporate bonds	16	**260,492**	259,770
Deferred income		**984**	3,132
Deferred tax liabilities		**129,358**	77,419
		2,601,049	1,593,055
NET ASSETS		**5,244,037**	5,219,261
CAPITAL AND RESERVES	17		
Share capital		**31,825**	31,825
Reserves		**5,181,668**	5,159,765
Total equity attributable to equity shareholders of the Company		**5,213,493**	5,191,590
Non-controlling interests		**30,544**	27,671
TOTAL EQUITY		**5,244,037**	5,219,261

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2

Notes

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from that financial report.

This interim financial information has been prepared in accordance 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**"), 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 30 August 2018.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 Hydoo International Holding Limited ("**the Company**") and its subsidiaries (collectively referred to as "**the Group**") since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial information 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.

2 Changes in accounting policies

(a) Overview

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. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRIC 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. However, there is no impact to the opening equity at 1 January 2018 by the initial application of IFRS 9. The comparative information continues to be reported under IAS 39.

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018:

Retained earnings	***RMB'000***
Capitalisation of sales commissions	3,733
Related tax	(560)
Net increase in retained earnings at 1 January 2018	3,173

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 People's Republic of China (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 sales related taxes and is after deduction of any trade discounts.

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of properties	**862,010**	676,091
– Property management services	**31,409**	26,921
– Others	**13,805**	7,863
	907,224	710,875
Revenue from other sources		
– Rental income	**15,395**	15,455
	922,619	726,330

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see note 2(c)).

5 Other income

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Government grants (i)	**29,804**	2,222
Net unrealised gain on unlisted equity securities not held for trading	**34,429**	—
Net gain on disposal of subsidiaries(ii)	**6,570**	—
Net gain on disposal of investments in wealth management products	**3,559**	314
Net gain on disposal of other non-current financial assets	**2,599**	123,436
Fair value loss on financial derivatives	**(575)**	(2,986)
Net gain on disposal of property, plant and equipment	**93**	452
Others	**1,130**	2,384
	77,609	125,822

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(i) During the six months ended 30 June 2018, the Group transferred certain properties under development for sale to investment properties (note 9). The related government grants of RMB29,601,000 (six months ended 30 June 2017: RMB1,321,000) previously recorded as deferred income were recognised in profit or loss as other income during the period.

(ii) During the six months ended 30 June 2018, the Group disposed of its whole equity interest in Bright Ocean Business Management (Shenzhen) Company Limited, which resulted in a net gain on disposal of subsidiaries of RMB6,570,000.

6 Profit before taxation

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

(a) Finance income and finance costs:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Finance income		
Interest income	(12,163)	(3,562)
Finance Costs		
Interest on bank loans and other borrowings	62,687	71,453
Interest on corporate bonds	10,791	5,051
Interest on senior notes	122,253	99,414
	195,731	175,918
Less: Interest expenses capitalised into properties under development	(33,956)	(35,833)
	161,775	140,085
Net foreign exchange loss	10,261	8,228
	172,036	148,313

(b) Other items:

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Depreciation and amortisation	**14,227**	17,723
Impairment losses/(reversal of impairment losses)		
– trade and other receivables (note 12)	**2,118**	(453)
– finance lease receivables	**11,737**	—
– property, plant and equipment	**—**	1,090
– intangible assets	**—**	259
– inventory	**—**	497
Write off on goodwill	**—**	1,379
Reversal of over-accrued estimated compensation in relation to a sub-lease arrangement	**—**	(34,258)
Operating lease charges	**3,600**	4,417
Cost of properties sold (i)	**521,438**	438,303
Equity settled share-based payments	**—**	16

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

(i) Cost of properties sold is after netting off benefits from government grants of RMB48,987,000 (six months ended 30 June 2017: RMB120,991,000).

7 Income tax

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax ("**PRC CIT**")	**31,740**	32,138
PRC Land Appreciation Tax ("**PRC LAT**")	**49,598**	89,576
	81,338	121,714
Deferred tax		
Origination and reversal of temporary differences	**36,215**	39,239
	117,553	160,953

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

(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 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. 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. 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 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.

(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 RMB30,536,000 (six months ended 30 June 2017: RMB44,618,000) and the weighted average of 4,014,844,000 ordinary shares (six months ended 30 June 2017: RMB4,014,844,000 ordinary shares).

(b) Diluted earnings per share

For the six months ended 30 June 2018 and 2017, the effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration was anti-dilutive.

9 Investment properties

During the six months ended 30 June 2018, the Group transferred certain properties under development 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 2018 by Savills Valuation and Professional Services Limited ("**Savills**"), an independent firm of surveyors. The valuation was 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 RMB135,233,000(six months ended 30 June 2017: RMB227,605,000) upon the transfer, and a gain in fair value of RMB10,039,000 (six months ended 30 June 2017: loss of RMB4,673,000) in respect of existing investment properties, with the total corresponding deferred tax of RMB36,147,000(six months ended 30 June 2017: RMB56,693,000), 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 RMB678,000,000 (31 December 2017: RMB720,200,000).

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

10 Other financial assets

	30 June 2018	31 December 2017 (Note)
	RMB'000	*RMB'000*
Non-current		
Available-for-sale unlisted equity securities	—	84,731
Unlisted equity securities not held for trading	**112,639**	—
	112,639	84,731
Current		
Derivative financial instrument	**17,755**	13,548
Wealth management products	**66,140**	—
	83,895	13,548

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

As at 30 June 2018, all of the other financial assets are classified as at FVPL under IFRS 9.

11 Inventories and other contract costs

	30 June 2018	31 December 2017 (Note)
	RMB'000	*RMB'000*
Properties held for future development for sale	**1,103,928**	1,141,148
Properties under development for sale	**3,230,519**	3,271,758
Completed properties held for sale	**3,388,712**	3,820,422
Other contract costs	**75,151**	—
Others	**976**	931
	7,799,286	8,234,259

Note: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

12 Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Within 1 month	**4,617**	10,990
1 to 3 months	**7,561**	5,167
3 to 6 months	**4,902**	7,064
Over 6 months	**14,840**	12,167
Trade and bill receivables, net of allowance for doubtful debts	**31,920**	35,388
Other debtors	**560,796**	399,761
Amount due from a joint venture	**18,003**	17,778
Amount due from an associate	**4,000**	4,000
Finance lease receivables, net of allowance for doubtful debts	**13,644**	22,659
Financial assets measured at amortised cost	**628,363**	479,586
Prepaid sales related tax and other taxes	**113,503**	125,527
Deposits and prepayments	**558,086**	483,390
	1,299,952	1,088,503

The balance of amount due from a joint venture and an associate are unsecured, interest free and has no fixed repayment terms.

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

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

13 Other current assets

At 31 December 2017, other current assets mainly represented investments in wealth management products which are redeemable on demand. The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparatine information is not restated. See Note 2.

14 Trade and other payables

As at the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on due date, is as follows:

	30 June 2018	31 December 2017 (Note)
	RMB'000	*RMB'000*
Due within 1 month or on demand	**78,778**	438,023
Due after 1 month but within 3 months	**400,925**	221,791
Due after 3 months but within 6 months	**484,699**	383,038
Due after 6 months	**694,296**	1,088,406
Trade and bills payables	**1,658,698**	2,131,258
Other payables and accruals	**668,627**	476,083
Financial liabilities measured at amortised cost	**2,327,325**	2,607,341
Receipts in advance (i)	**10,032**	1,451,017
Deposits	**88,542**	94,420
	2,425,899	4,152,778

Note: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

(i) As at 30 June 2018, receipts in advance represented the rental received in advance from customers. As a result of the adoption of IFRS 15, receipts in advance related to sales of properties and property management service are included in contract liabilities.

15 Senior notes

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Current		
US$160 million senior notes due in 2018		
– Tranche 1 (i)	**253,115**	645,006
– Tranche 2 (ii)	**153,941**	397,893
	407,056	1,042,899
Non-current		
US$60 million senior notes due in 2019 (iii)	**396,205**	390,964
US$130 million senior notes due in 2020 (iv)	**835,885**	—
	1,232,090	390,964
	1,639,146	1,433,863

(i) On 15 December 2015, the Company issued senior notes 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. On 9 May 2018, parts of the issued senior notes were exchanged to the new notes in note (iv).

(ii) On 14 September 2016, the Company issued senior notes of US$60 million (equivalent to RMB400,716,000) at 104.81% of the principal amount plus accrued interest with a coupon rate of 13.75% per annum. The senior notes will be due in 2018. The net proceeds from the senior notes, after including interest in arrear and deducting the transaction costs, of US$63,992,000 (equivalent to RMB427,377,000) was received by the Company on 15 September 2016. Interest expense on the senior notes is calculated using the effective interest rate of 12.42% per annum. On 9 May 2018, parts of the issued senior notes were exchanged to the new notes in note (iv).

(iii) On 30 August 2016, the Company issued senior notes of US$60 million (equivalent to RMB400,872,000) at par with a coupon rate of 11% per annum. The senior notes will be due in 2019. The net proceeds from the senior notes, after deducting the transaction costs, of US$59,720,000 (equivalent to RMB399,002,000) was received by the Company on 30 August 2016. Interest expense on the senior notes is calculated using the effective interest rate of 11.19% per annum. Mr. Wong Choi Hing, a controlling shareholder of the Company and therefore, a connected person of the Company, provides a personal guarantee in favour the performance of the obligations by the Company.

(iv) On 9 May 2018, the Company issued senior notes of US$130 million at 98.287% with a coupon annual rate of 12%. The senior notes will be due in 2020. The net proceeds from the senior notes, after including interest in arrear and deducting the transaction costs, of US$25,893,000 (equivalent to RMB151,201,000) was received by the Company on 10 May 2018. The remaining balance was exchanged by the eligible holders who hold the existing senior notes in relation to note (i) and note (ii). As a result of the completion of this exchange, US$98,400,000 of the total aggregate principal amount of the existing notes (note (i) and note (ii)) was exchanged to the new notes. Interest expense on the senior notes is calculated using effective interest rate of 13.78% per annum.

16 Corporate bonds

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Current		
HK$11.5 million corporate bonds (i)	**6,735**	6,665
Non-current		
HK$11.5 million corporate bonds (i)	**2,719**	2,590
RMB260 million corporate bonds (ii)	**257,773**	257,180
	260,492	259,770
	267,227	266,435

(i) In 2016, the Company issued certain unlisted bonds totalling HK$11.5 million (equivalent to RMB10,287,000) with a coupon rate of 5.00% to 8.00% per annum. The net proceeds from bonds issued, after deducting the transaction costs, of HK$10,693,000 (equivalent to RMB9,565,000) was received by the Company. Interest expenses on these unlisted bonds are calculated with the effective interest rate of 8.41% to 13.78% per annum respectively.

(ii) In 2017, the Group issued certain non-public offering of corporate bonds totalling RMB260 million with a coupon rate of 7.50% per annum. The net proceeds from bonds issued, after deducting the transaction costs, of RMB256,360,000 was received by the Group. Interest expenses on these non-public offering corporate bonds are calculated with the effective interest rate of 8.04% per annum.

17 Capital, reserves and dividends

(a) Dividends

The Board have resolved not to declare any interim dividends for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil). No dividends was paid to equity shareholders attributable to the previous financial year, approved and paid during the interim period (six months ended 30 June 2017: Nil).

(b) Share capital

Authorised and issued share capital

	At 30 June 2018		At 31 December 2017	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'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 HK$	**Number of shares '000**	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
At 1 January 2017, 31 December 2017 and 30 June 2018	**0.01**	**4,014,844**	40,148	31,825

There is no change in ordinary shares during the six months ended 30 June 2018.

18 Non-adjusting events after the reporting period

On 10 August 2018, the Company entered into a purchase agreement with third parties in connection with the additional notes of US$27 million issued on the same terms and conditions as the original notes (note 15(iv)), save for the issue date and the issue price. The issuance was completed on 15 August 2018. The additional notes will be consolidated and form a single class with the original notes.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Hydoo International Holding Limited, I hereby present the interim results of the Group for the Period.

FINANCIAL RESULTS

During the Period, the Group's revenue and gross profit reached approximately RMB922.6 million and RMB363.8 million, respectively (the revenue and gross profit for the six months ended 30 June 2017: RMB726.3 million and RMB262.4 million, respectively). Basic earnings per share for the Period was RMB0.8 cent (for the six months ended 30 June 2017: RMB1.1 cents).

MARKET AND OPERATION REVIEW

In the first half of 2018, China's economy attained a growth rate of gross domestic product ("**GDP**") of 6.8%. The economic stability was in the growth zone of medium and high speed. From the perspective of the sectors, the growth of the tertiary sector was faster and the proportion of the growth value to GDP continued to increase to 54.3%. From the perspective of the demand, the contribution of consumption expenditure to the overall economic growth increased 14.2 percentage points in the first half of 2018 when compared to the previous year. Under the recent strong external pressure of Sino-US trade, there is more need to continue to consolidate the fundamental effect of expanding domestic demand for economic growth. From the perspective of the main market player, entrepreneurial innovation continued to develop. The growth of the related industry and product that are associated with technological advances, transformation and upgrading, and higher technical content was faster than that of the value added by large-scale industry.

From January to June 2018, the total investment in property development was RMB5,553.1 billion, a period-on-period nominal growth of 9.7%. Due to market situation, the growth rate of investments in commercial property development decreased 9.7% far below the 13.6% growth rate of investment in residential property development. Regulatory control policies throughout different regions in China had been launched for nearly 200 times which is at historic high. Regulatory control policies were not only limited to buying restrictions, sale restrictions, price restrictions, and mortgage restrictions measures. With the introduction of policies according to cities' circumstances and obvious characteristics of classification control, the means were more diverse.

In response to these circumstances, the Group adopted a strategy of combining prudent investment with destocking to lay the foundation for a more stable growth of the Group. During the Period, the total contracted sales of the Group recorded RMB624.3 million, mainly attributable to the sales of inventories of wholesale trading market units of Liuzhou Trade Center, Lanzhou Trade Center and Yulin Trade Center. During the operation of projects, the Group strived to speed up the turnover, withdraw funds as soon as possible, reduce cost, fully evaluate policy factors, rationally arrange product structure and construction period, and grasp the pace of development to enhance the ability to respond to market changes.

Meanwhile, as far as the Group‘s cooperation with major merchants is concerned, after the Red Star Macalline Group had officially entered into the Group’s Ganzhou Trade Center, the Red Star Macalline Heze Kunming Road Mall was opened in Area A1 Plaza of Heze Trade Center of the Group during the Period, creating a large-scale, high-end, most influential home building business circle in Heze City. Regarding the Group’s regular business, there was a stable growth during the Period in our property management, with revenue which amounted to approximately RMB31.4 million, representing an increase of 16.7% as compared to the six months ended 30 June 2017.

PROSPECT

In the second half of 2018, from the perspective of the external economic environment, world trade protectionism continues to heat up, bringing some challenges and uncertainties to China. From the perspective of the internal economic environment, the imbalance of economic development and inadequate contradictions are prominent. Currently China’s economy is in the strategic process of structural adjustment, transformation and upgrading. For the next step, the Chinese government will continue to promote structural reforms on the supply side, continue to expand domestic demand, and lead the economy to operate smoothly in a reasonable range.

Pursuant to the spirit of the Central Political Bureau meeting held in July 2018, it is necessary to maintain the overall economic and social stability; better combine the prevention and mitigation of financial risks with the service of the real economy, and firmly conduct deleverage work; resolve to solve the real estate market problems and resolutely curb rising housing prices, accelerate the establishment of a long-term mechanism to promote the stable development of the real estate market. These policy and signals are closely related to the industry in which the Group is involved. Facing the problems such as rising costs and tight financing, the Group will prepare for future development as planned, and handle the relationship between scale expansion, schedule progress, efficiency improvement and risk prevention. We will strengthen management, lay a solid foundation, improve quality, improve the efficiency of capital operation, and strive to achieve a shift towards quality and efficiency.

From the perspective of long-term development, although the market environment in which the Group is involved is challenging, there are still opportunities. According to the planning that the urbanization rate of China's permanent residents will reach 70% in around 2030, China's urbanization will continue to advance. Meanwhile, with urban renewal, the development of new type of economic operation and the growing needs of the people for better life, it also requires property industry to expand industrial park properties, logistics distribution centers, cultural hotel properties, elderly residential areas and others to provide corresponding packages and services. Combining the above opportunities, the Group will continue to upgrade and improve the ecological circle of the Group's business and logistics center, deepen the "online and offline organic integration", and construct the development model of "national network + regional business hub + industrial cluster". Furthermore, the Group will promote strategic cooperation with JD.com Inc. to further implement and seek cooperation with more outstanding companies to implement strategic alliance strategies, enhance the Group's comprehensive competitiveness and influence, and achieve sustainable development of the Group.

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, 30 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales Performance

During the Period, the Group recorded contracted sales of approximately RMB624.3 million and contracted sales area of 109,790 sq.m., representing decreases of 40.1% and 48.5% respectively (six months ended 30 June 2017: approximately RMB1,042.2 million and 213,070 sq.m.). During the Period, small and middle sized enterprises remained cautious in investments, and high destocking pressure remained in the commercial property market, posing challenges to the operation of the Group. Contracted sales recorded during the Period were primarily in relation to the pre-sale of properties for projects in Liuzhou, Lanzhou and Yulin.

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

	For the six months ended 30 June					
	2018			2017		
	Contracted sales area	**Average contracted sales price (before deduction of value added tax and surcharges)**	**Contracted sales amount (before deduction of value added tax and surcharges)**	Contracted sales area	Average contracted sales price (before deduction of value added tax and surcharges)	Contracted sales amount (before deduction of value added 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)					
Liuzhou Trade Center						
Wholesale trading market units	**28,420**	**8,203**	**233,127**	—	—	—
Lanzhou Trade Center						
Wholesale trading market units	**26,034**	**4,846**	**126,160**	41,057	6,150	252,488

	For the six months ended 30 June					
	2018			2017		
	Contracted sales area	**Average contracted sales price (before deduction of value added tax and surcharges)**	**Contracted sales amount (before deduction of value added tax and surcharges)**	Contracted sales area	Average contracted sales price (before deduction of value added tax and surcharges)	Contracted sales amount (before deduction of value added 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	**17,721**	**4,809**	**85,227**	6,828	5,032	34,360
Wuzhou Trade Center						
Wholesale trading market units	**10,537**	**4,458**	**46,972**	7,951	4,754	37,799
Heze Trade Center						
Wholesale trading market units	**10,540**	**3,946**	**41,590**	44,929	4,140	186,002
Jining Trade Center						
Wholesale trading market units	**5,567**	**4,111**	**22,887**	7,409	4,196	31,090
Residence	**2,005**	**4,301**	**8,623**	18,313	4,637	84,913
Mianyang Trade Center						
Wholesale trading market units	**4,297**	**6,197**	**26,628**	1,235	4,727	5,838
Ganzhou Trade Center						
Wholesale trading market units	**2,058**	**9,499**	**19,548**	1,793	8,305	14,891
Residence	**318**	**4,292**	**1,365**	5,373	4,469	24,014
Yantai Trade Center						
Wholesale trading market units	**1,498**	**6,108**	**9,150**	2,270	6,366	14,450
Ningxiang Trade Center						
Serviced apartments	**795**	**3,766**	**2,994**	11,690	4,300	50,267
Bengbu Commercial and Residence Project						
Residence	**–**	**–**	**–**	46,887	4,363	204,560
Xingning Trade Center						
Wholesale trading market units	**–**	**–**	**–**	17,335	5,858	101,541
Total	**109,790**	**5,686**	**624,271**	213,070	4,891	1,042,213

Land Acquisition and Land Bank

During the Period, we acquired land-use rights with an aggregate total site area of approximately 154,574 sq.m., which is expected to have an aggregate estimated gross floor area ("**GFA**") of approximately 108,553 sq.m.. As of 30 June 2018, we had a total land bank of 9.3 million sq.m., and we were simultaneously developing 12 projects in 7 provinces and autonomous regions in China.

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

	Completed Properties				Properties under Development	Properties Planned for Future Development	
	Actual GFA of completed properties *(sq.m.)*	Saleable GF of completed properties *(sq.m.)*	Total GFA of properties delivered as of 30/06/2018 *(sq.m.)*	Undelivered saleable GFA of completed properties as of 30/06/2018 *(sq.m.)*	Estimated GFA of properties under development *(sq.m.)*	Estimated GFA of properties planned for future development *(sq.m.)*	Land bank *(sq.m.)*
Lanzhou Trade Center	535,158	509,742	249,165	260,577	—	2,454,305	2,714,882
Ganzhou Trade Center	767,986	741,680	560,151	181,529	424,996	2,054,044	2,660,569
Wuzhou Trade Center	452,759	405,168	263,160	142,008	—	716,284	858,292
Jining Trade Center	678,905	650,995	525,237	125,758	372,622	316,929	815,309
Heze Trade Center	247,166	229,424	178,958	50,466	139,416	408,858	598,740
Yulin Trade Center	418,961	364,677	240,196	124,481	84,398	271,189	480,068
Jiamusi Trade Center	6,344	6,344	—	6,344	—	449,038	455,382
Yantai Trade Center	141,040	114,147	38,054	76,093	13,172	127,253	216,518
Liuzhou Trade Center	154,517	154,517	104,338	50,179	33,651	112,093	195,923
Ningxiang Trade Center	382,842	370,175	282,831	87,344	61,518	—	148,862
Mianyang Trade Center	511,435	434,236	394,585	39,651	—	80,321	119,972
Haode Yinzuo	48,650	48,650	38,780	9,870	—	—	9,870
Total	**4,345,763**	**4,029,755**	**2,875,455**	**1,154,300**	**1,129,773**	**6,990,314**	**9,274,387**

OUR PROJECTS

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 Qinling Highway and 312 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 s,q.m., which is expected to be developed at least in two phases. As of 30 June 2018, we had acquired land-use rights encompassing a total site area of 1,786,796 sq.m. with a total GFA of 3,012,274 sq.m. upon completion.

As of 30 June 2018, for this trade center project, we had completed the construction of the wholesale trading markets and a commercial pedestrian street. As part of our future development plan, we are planning to construct shopping malls, residential areas, warehouses and additional wholesale trading markets.

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 1.5 million sq.m., which is estimated to consist of at least two phases, and is estimated to have a total GFA of approximately 3.3 million sq.m. upon full completion. As of 30 June 2018, we had acquired all the land-use rights for this trade center project.

As of 30 June 2018, we had completed the construction of the wholesale trading markets, shopping malls, a food street, a logistics distribution center and certain supporting buildings and facilities. We are constructing warehouses and residential areas. As part of our future development plan, we are planning to construct a commercial and exhibition center, additional shopping malls, residential areas, warehouses, office buildings and hotels.

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 2018, we had acquired land-use rights for all of Phase I, encompassing a total site area of 599,642 sq.m. with a total GFA of 1,169,043 sq.m. upon full completion of Phase I development.

As of 30 June 2018, 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, office buildings, serviced apartments, a hotel, warehouses and additional shopping malls.

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 2018, we had acquired land-use rights for all of Phase I and Phase II, encompassing a total site area of 975,863 sq.m. and expect a total GFA of 1,375,552 sq.m. upon full completion of Phase I and Phase II.

As of 30 June 2018, for this trade center project, we had completed the construction of wholesale trading markets, a shopping mall and a residential area, and were constructing a shopping mall, 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, a residential area 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 2018, 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 795,441 sq.m. upon completion of the Phase I and Phase II development.

As of 30 June 2018, for this trade center project, we had completed the construction of the wholesale trading markets and a commercial center, and were constructing a shopping mall and additional wholesale trading markets. As part of our future development plan, we are planning to construct office buildings, serviced apartments, additional shopping malls and wholesale trading markets.

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 2018, we had acquired land-use rights for all of Phase I, Phase II and Phase III, encompassing a total site area of 569,706 sq.m. with a total planned GFA of approximately 774,128 sq.m. upon full completion of Phase I, Phase II and Phase III development.

As of 30 June 2018, for this trade center project, we had completed construction of wholesale trading markets, shopping malls and a commercial and exhibition center, and were constructing additional wholesale trading markets. As part of our future development plan, we are planning to construct a hotel, serviced apartments, residential areas 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 2018, we had acquired land-use rights for Phase I development, encompassing a total site area of 484,708 sq.m., with a total planned GFA of 454,232 sq.m..

As of 30 June 2018, for this trade center project, we had completed a commercial center. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, residential areas, a hotel and certain supporting buildings and facilities.

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 2018, 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 281,465 sq.m. upon completion.

As of 30 June 2018, for this trade center project, we had completed the construction of wholesale trading markets, we were constructing a commercial center 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.

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 2018, 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 300,826 sq.m..

As of 30 June 2018, for this trade center project, we had completed the construction of wholesale trading markets, and were constructing additional wholesale trading markets. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, office buildings, a commercial center and certain supporting buildings and facilities.

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 approximately 1.3 million sq.m. and has an aggregate estimated GFA of approximately 1.2 million sq.m., which is expected to be developed in three phases. As of 30 June 2018, we had acquired land-use rights for all of Phase I, encompassing a total site area of 301,387 sq.m. with a total planned GFA of 443,759 sq.m. upon full completion of Phase I.

As of 30 June 2018, for this trade center project, we had completed the construction of the wholesale trading markets, a food street, a freight-forwarding market, a commercial and exhibition center, warehouses, a bus terminal and information center, serviced apartments, and were constructing a hotel.

Mianyang Trade Center

Mianyang 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 605,913 sq.m., which is expected to be developed in several phases, and is estimated to have a total GFA of approximately 591,694 sq.m. when fully completed. As of 30 June 2018, we had acquired all the land-use rights for this trade center project.

As of 30 June 2018, for this trade center project, we had completed the construction of wholesale trading markets 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.

The aforementioned future development plans are expected to be mainly funded through working capital of the Group.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB196.3 million, or 27.0%, from RMB726.3 million for the six months ended 30 June 2017 to RMB922.6 million for the Period. This increase was primarily caused by the increase in revenue from sales of properties. The following table sets forth our revenue from the sales of properties, property management services, rental income and others during the relevant periods:

	For the six months ended 30 June			
	2018		2017	
	(RMB'000)	*%*	*(RMB'000)*	*%*
Sales of properties	**862,010**	**93.4**	676,091	93.1
Property management services	**31,409**	**3.4**	26,921	3.7
Rental income	**15,395**	**1.7**	15,455	2.1
Others	**13,805**	**1.5**	7,863	1.1
Total	**922,619**	**100.0**	726,330	100.0

Sales of Properties

Revenue from the sales of properties increased by RMB185.9 million, or 27.5%, from RMB676.1 million for the six months ended 30 June 2017 to RMB862.0 million for the Period. The increase of the sales of properties is in line with the increase in the average sales price of properties sold, which increased by RMB1,247 per sq.m., or 25.2%, from RMB4,943 per sq.m. for the six months ended 30 June 2017 to RMB6,190 per sq.m. for the Period. Our revenue for the Period was primarily derived from the sales of wholesale trading market units at our Liuzhou Trade Center, Lanzhou Trade Center and Wuzhou Trade Center.

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

	For the six months ended 30 June					
	2018			2017		
	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)					
Liuzhou Trade Center						
Wholesale trading market units	**45,328**	**7,913**	**358,680**	—	—	—
Subtotal	**45,328**	**7,913**	**358,680**	—	—	—
Lanzhou Trade Center						
Wholesale trading market units	**51,967**	**5,660**	**294,142**	33,571	6,257	210,042
Subtotal	**51,967**	**5,660**	**294,142**	33,571	6,257	210,042
Wuzhou Trade Center						
Wholesale trading market units	**12,312**	**4,465**	**54,970**	6,252	4,845	30,289
Subtotal	**12,312**	**4,465**	**54,970**	6,252	4,845	30,289
Heze Trade Center						
Wholesale trading market units	**9,339**	**4,002**	**37,373**	39,995	3,956	158,212
Subtotal	**9,339**	**4,002**	**37,373**	39,995	3,956	158,212
Mianyang Trade Center						
Wholesale trading market units	**5,184**	**6,173**	**32,003**	2,616	5,921	15,490
Subtotal	**5,184**	**6,173**	**32,003**	2,616	5,921	15,490
Yulin Trade Center						
Wholesale trading market units	**4,872**	**6,320**	**30,791**	8,408	5,014	42,157
Shopping mall	**—**	**—**	**—**	851	1,714	1,459
Subtotal	**4,872**	**6,320**	**30,791**	9,259	4,711	43,616

	For the six months ended 30 June					
	2018			2017		
	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)					
Yantai Trade Center						
Wholesale trading market units	**4,751**	**5,765**	**27,389**	1,236	6,589	8,144
Subtotal	**4,751**	**5,765**	**27,389**	1,236	6,589	8,144
Ganzhou Trade Center						
Wholesale trading market units	**2,224**	**6,500**	**14,456**	—	—	—
Subtotal	**2,224**	**6,500**	**14,456**	—	—	—
Jining Trade Center						
Wholesale trading market units	**1,641**	**4,079**	**6,694**	4,809	4,112	19,774
Residence	**931**	**3,495**	**3,254**	17,776	4,389	78,019
Subtotal	**2,572**	**3,868**	**9,948**	22,585	4,330	97,793
Ningxiang Trade Center						
Serviced apartments	**708**	**3,189**	**2,258**	6,356	3,971	25,238
Subtotal	**708**	**3,189**	**2,258**	6,356	3,971	25,238
Xingning Trade Center						
Wholesale trading market units	**—**	**—**	**—**	14,900	5,857	87,267
Subtotal	**—**	**—**	**—**	14,900	5,857	87,267
Total	**139,257**	**6,190**	**862,010**	136,770	4,943	676,091

Property Management Services

Revenue from property management services increased by RMB4.5 million, or 16.7%, from RMB26.9 million for the six months ended 30 June 2017 to RMB31.4 million for the Period. This increase primarily reflected the continued expansion of our property management portfolio.

Rental Income

Revenue from rental income decreased by RMB0.1 million, or 0.6%, from RMB15.5 million for the six months ended 30 June 2017 to RMB15.4 million for the Period.

Gross Profit and Margin

As a result of the foregoing, the gross profit increased by RMB101.4 million, or 38.6%, from RMB262.4 million for the six months ended 30 June 2017 to RMB363.8 million for the Period. Our gross profit margin increased from 36.1% for the six months ended 30 June 2017 to 39.4% for the Period. The increase in our gross profit margin for the Period compared to the six months ended 30 June 2017 was primarily due to a significant proportion of revenue being generated from Liuzhou Trade Center of our overall revenue during the Period, which yielded a relatively high gross profit margin.

Other Income

Other income decreased by RMB48.2 million, or 38.3%, from RMB125.8 million for the six months ended 30 June 2017 to RMB77.6 million for the Period. The decrease was mainly due to the net gain on disposal of unlisted equity securities not held for trading of RMB2.6 million recorded by the Group during the Period (six months ended 30 June 2017: RMB123.4 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB20.4 million, or 33.2%, from RMB61.4 million for the six months ended 30 June 2017 to RMB41.0 million for the Period. The decrease primarily reflected our continued efforts in enhancing the operating efficiency in managing our sales and marketing activities.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by RMB39.0 million, or 20.3%, from RMB191.9 million for the six months ended 30 June 2017 to RMB230.9 million for the Period. The increase primarily reflected a reversal of the accruals of RMB34.3 million made for the compensations on a sub-lease arrangement for the six months ended 30 June 2017, but nil during the Period.

Fair Value Gain on Investment Properties

During the Period, the Group transferred certain properties under development for sale to investment properties, since there was an actual change in use from sale to earning rental income. The Group's investment properties carried at fair value as of 30 June 2018 were valued by Savills Valuation and Professional Services Limited, an independent firm of surveyors. During the Period, the Group recorded a fair value gain of RMB145.3 million (six months ended 30 June 2017: RMB222.9 million).

Finance Income

Our finance income increased by RMB8.6 million or 238.9%, from RMB3.6 million for the six months ended 30 June 2017 to RMB12.2 million for the Period. The increase reflected an increase in interest income from our bank deposit during the Period.

Finance Costs

Our finance costs increased by RMB23.7 million, or 16.0%, from RMB148.3 million for the six months ended 30 June 2017 to RMB172.0 million for the Period. The increase was primarily due to the increase of interest on senior notes durign the Period.

Income Tax

Our income tax expense decreased by RMB43.4 million, or 27.0%, from RMB161.0 million for the six months ended 30 June 2017 to RMB117.6 million for the Period. Such decrease was primarily due to the decrease in provision for PRC Land Appreciation Tax 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 RMB15.6 million, or 30.6%, from a net profit of RMB51.0 million for the six months ended 30 June 2017 to a net profit of RMB35.4 million for the Period. Our profit attributable to equity shareholders of the Company decreased by RMB14.1 million, or 31.6%, from RMB44.6 million for the six months ended 30 June 2017 to RMB30.5 million for the Period.

Pledged and Restricted Cash

Pledged and Restricted cash amounted to RMB686.0 million as of 30 June 2018 compared to RMB857.7 million as of 31 December 2017. As of 30 June 2018, the pledged and restricted cash was pledged to banks for certain mortgage facilities granted to purchasers of the Group's properties and pledged for bank loans granted to the Group etc.

Liquidity and Capital Resources

Our primary uses of cash are to pay for the 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 the issuance of overseas notes.

Bank Loans and Other Borrowings

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

	At 30 June 2018 (RMB'000)	At 31 December 2017 (RMB'000)
Current		
Secured		
–short term bank loans and other borrowings	**60,091**	14,843
–current portion of non-current bank loans and other borrowings	**691,209**	1,158,216
Unsecured		
–short-term bank loans and other borrowings	**15,000**	28,800
Subtotal	**766,300**	1,201,859
Non-current		
Secured		
–repayable after 1 year but within 2 years	**633,250**	364,770
–repayable after 2 years but within 5 years	**278,250**	421,000
–repayable after 5 years	**65,625**	75,000
Unsecured		
–repayable after 2 years but within 5 years	**1,000**	1,000
Subtotal	**978,125**	861,770
Total	**1,744,425**	2,063,629

Bank loans and other borrowings bear interest rates ranging from 2.12% to 9.60% per annum for the Period (31 December 2017: 2.12% to 9.03%) and are secured by the following assets:

	30 June 2018 (RMB'000)	31 December 2017 (RMB'000)
Completed properties held for sale	**1,356,323**	1,476,581
Investment properties	**678,000**	720,200
Properties held for future development for sale	**449,891**	619,821
Pledged cash	**373,798**	325,421
Properties under development for sale	**372,021**	1,119,998
Property, plant and equipment	**362,062**	367,070
Total	**3,592,095**	4,629,091

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 30 June 2018, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,378.2 million.

COMMITMENTS

Capital commitments outstanding as at the end of Period contracted but not provided for in the financial statements were as follows:

	At 30 June 2018 ***(RMB'000)***	At 31 December 2017 *(RMB'000)*
Construction and development contracts	**873,001**	765,895
Land agreements	**—**	25,981
Total	**873,001**	791,876

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 2018	At 31 December 2017
Current ratio [(1)]	**1.66**	1.46
Gearing ratio [(2)]	**25.6%**	25.4%
Net gearing ratio [(3)]	**43.7%**	36.5%

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 by the Group's total interest bearing borrowings as of the respective reporting period (includes bank loans and other borrowings, senior notes and corporate bonds) divided by total assets as of the end of the respective reporting period and multiplying by 100%.

(3) Our net gearing ratio is calculated by the Group's net debt (aggregated bank loans and other borrowings, senior notes and corporate bonds, 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 corporate bonds 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.

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 2018, we were simultaneously developing 12 projects in 7 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, Liuzhou and Nanchang Trade Centers, we are required to maintain a certain portion of the trade center properties, typically 10%- 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 2018, the Group had a workforce of approximately 1,205 people. The number of staff had decreased by 3.9% since 31 December 2017. The total employee benefit expenses for the Period amounted to RMB118.8 million, decreased by 13.3% (six months ended 30 June 2017: RMB137.1 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 2018, the number of outstanding share options granted by the Company to its directors (the "**Directors**") and employees is 55,355,000 shares.

CORPORATE GOVERNANCE

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 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 ("**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 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 "**2018 Senior Notes**"). The 2018 Senior Notes are listed and traded on The Singapore Exchange Securities Trading Limited.

On 14 September 2016, the Company issued additional 2018 Senior Notes with an aggregate principal amount of US$60,000,000, which are consolidated and formed a single class with the US$100,000,000 aggregate principal amount of 13.75% 2018 Senior Notes due 2018 issued by the Company on 15 December 2015. The proceeds of the additional 2018 Senior Notes was primarily used for the refinancing of indebtedness of the Company and the remainder for its working capital purposes.

Please refer to the Company's announcements dated 2 December 2015, 8 December 2015, 17 December 2015, 8 September 2016, 18 September 2016, 6 September 2017 and 18 September 2017 for details on the 2018 Senior Notes.

Pursuant to the exchange offer made by the Company on 24 April 2018, US$98,400,000 (approximately 61.5%) of the total aggregate principal amount of the US$160,000,000 2018 Senior Notes was validly tendered for exchange and accepted for the 2020 Senior Notes (as defined below) as further elaborated in the below paragraph headed "Issuance of 12% Senior Notes Due 2020". As a result of the completion of this exchange on 9 May 2018, there is a remaining of US$61,600,000 of the total aggregate principal amount of the 2018 Senior Notes.

Please refer to the Company's announcements dated 24 April 2018, 25 April 2018, 3 May 2018 and 10 May 2018 for details on the exchange offer.

ISSUANCE OF 11% SENIOR NOTES DUE 2019

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 "**2019 Senior Notes**"). The issuance was completed on 30 August 2016. The proceeds of the 2019 Senior Notes was primarily used for the refinancing of indebtedness of the Company and the remainder for its working capital purposes.

Please refer to the Company's announcement dated 25 August 2016, 6 September 2017 and 18 September 2017 for details on the 2019 Senior Notes.

ISSUANCE OF 12% SENIOR NOTES DUE 2020

On 24 April 2018, the Company offered its 12% senior notes due May 2020 in an exchange offer to existing holders of 2018 Senior Notes. US$98,400,000 (approximately 61.5%) of the 2018 Senior Notes were successfully exchanged. Concurrently with the exchange offer, the Company made a concurrent new issue of US$25,893,000 of additional 2020 senior notes, which, together with the US$104,107,000 of the 2020 senior notes issued pursuant to the exchange offer, constitute an aggregate principal amount of 12% US$130,000,000 of 2020 senior notes (the "**2020 Senior Notes**"). The exchange offer and the concurrent new issue were completed on 9 May 2018. The 2020 Senior Notes are listed and traded on The Singapore Exchange Securities Trading Limited.

The proceeds of the 2020 Senior Notes will primarily be used for the repayment of debt including to redeem the 2018 Senior Notes and to finance acquisitions or development of assets, real or personal property or equipment to be used in the ordinary course of business, and certain amounts may be used for general corporate purposes.

Please refer to the Company's announcement dated 24 April 2018, 25 April 2018, 3 May 2018 and 10 May 2018 for details on the 2020 Senior Notes.

EVENT AFTER THE REPORTING PERIOD

Pursuant to a purchase agreement dated 10 August 2018, the Company issued additional 2020 Senior Notes with an aggregate principal amount of US$27,000,000, which are consolidated and formed a single class with the US$130,000,000 aggregate principal amount of 12% 2020 Senior Notes due 2020 issued by the Company on 9 May 2018. The issuance of the additional 2020 Senior Notes was completed on 15 August 2018. The proceeds of the additional 2020 Senior Notes will primarily be used for the repayment of debts of the Company and for general corporate purposes.

Please refer to the Company's announcement dated 10 August 2018 for further details.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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 2018 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 and Executive Director

Hong Kong, 30 August 2018

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