HYDOO INTERNATIONAL HOLDING LIMITED
毅德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1396)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The board of directors (the "**Board**") of Hydoo International Holding Limited (the "**Company**") hereby announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2018 ("**FY2018**" or the "**Year**") with comparative figures for the preceding financial year ended 31 December 2017 ("**FY2017**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018**	2017 *(Note)*
		RMB'000	*RMB'000*
Revenue	2	**2,842,202**	1,792,421
Cost of sales		**(1,699,285)**	(1,076,609)
Gross profit		**1,142,917**	715,812
Other income	3	**92,360**	491,800
Selling and distribution expenses		**(110,978)**	(147,277)
Administrative and other operating expenses		**(436,806)**	(459,043)
Impairment loss on trade and other receivables		**(46,640)**	(2,639)
Profit from operations before fair value gain on investment properties		**640,853**	598,653
Fair value gain on investment properties	7	**100,634**	387,870
Profit from operation after fair value gain on investment properties		**741,487**	986,523
Share of loss of an associate		**(880)**	(300)
Share of losses of joint ventures		**(19,904)**	(2,943)
Finance income	4(a)	**35,287**	5,722
Finance costs	4(a)	**(339,370)**	(275,021)
Profit before taxation	4	**416,620**	713,981
Income tax	5(a)	**(306,733)**	(458,726)
Profit for the year		**109,887**	255,255
Attributable to:			
Equity shareholders of the Company		**106,995**	245,573
Non-controlling interests		**2,892**	9,682
Profit for the year		**109,887**	255,255
Earnings per share			
Basic (RMB cents)	6	**2.7**	6.1
Diluted (RMB cents)	6	**2.7**	6.1

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 except for separately presenting impairment losses on trade and other receivables. See note 1(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

(Expressed in Renminbi)

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Profit for the year	**109,887**	255,255
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	**(62,927)**	78,671
Other comprehensive income for the year	**(62,927)**	78,671
Total comprehensive income for the year	**46,960**	333,926
Attributable to:		
Equity shareholders of the Company	**44,068**	324,244
Non-controlling interests	**2,892**	9,682
Total comprehensive income for the year	**46,960**	333,926

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 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

(Expressed in Renminbi)

	Note	**2018** RMB'000	2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment		**441,210**	457,896
Investment properties	7	**2,623,137**	2,259,900
Intangible assets		**17,634**	19,555
Goodwill		**2,252**	2,252
Interest in an associate		**2,820**	3,700
Interest in joint ventures		**132,672**	146,451
Other financial assets		**121,003**	84,731
Deferred tax assets		**157,568**	148,399
Finance lease receivable		**27,394**	19,155
		3,525,690	3,142,039
Current assets			
Inventories and other contract costs		**7,484,547**	8,234,259
Prepaid tax		**53,354**	95,437
Other financial assets		**—**	13,548
Other current assets		**—**	371,000
Trade and other receivables	8	**1,772,278**	1,088,503
Pledged and restricted cash		**585,583**	857,666
Cash and cash equivalents		**1,123,145**	1,000,443
		11,018,907	11,660,856
Investment properties classified as held for sale	7	**26,463**	—
		11,045,370	11,660,856
Current liabilities			
Trade and other payables	9	**2,923,528**	4,152,778
Contract liabilities		**1,843,463**	—
Bank loans and other borrowings		**487,661**	1,201,859
Senior notes	10	**411,311**	1,042,899
Corporate bonds	11	**261,334**	6,665
Current tax liabilities		**803,651**	869,706
Deferred income		**623,296**	716,672
		7,354,244	7,990,579

	Note	2018 RMB'000	2017 (Note) RMB'000
Net current assets		**3,691,126**	3,670,277
Total assets less current liabilities		**7,216,816**	6,812,316
Non-current liabilities			
Bank loans and other borrowings		**779,250**	861,770
Senior notes	10	**1,054,670**	390,964
Corporate bonds	11	**—**	259,770
Deferred income		**653**	3,132
Deferred tax liabilities		**103,349**	77,419
		1,937,922	1,593,055
NET ASSETS		**5,278,894**	5,219,261
Capital and reserves			
Share capital		**31,825**	31,825
Reserves		**5,207,006**	5,159,765
Total equity attributable to equity shareholders of the Company		**5,238,831**	5,191,590
Non-controlling interests		**40,063**	27,671
TOTAL EQUITY		**5,278,894**	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 1(c).

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies

(a) Statement of compliance

The financial information relating to the years ended 31 December 2018 and 2017 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements.

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate and joint ventures.

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

— Equity investments other than investments in subsidiaries, associates and joint ventures;

— derivative financial instruments; and

— investment properties.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

(c) Changes in accounting policies

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:

(i) IFRS 9, Financial instruments

(ii) IFRS 15, Revenue from contracts with customers

(iii) IFRIC 22, Foreign currency transactions and advance consideration

Due to the transition methods chosen by the Group in applying the new standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade and other receivables.

The adoption of IFRIC 22 does not have any material impact on the consolidated financial statements of the Group.

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.

(i) 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.

(ii) 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.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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:

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

2 Revenue and segment reporting

The principal activities of the Group are development, sales and operation of commercial trade and logistics centres and residential properties in the Mainland China.

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.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of properties	**2,712,484**	1,697,273
– Property management services	**57,458**	49,664
– Others	**32,537**	21,583
	2,802,479	1,768,520
Revenue from other sources		
– Rental income	**39,723**	23,901
	2,842,202	1,792,421

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 1(c)).

The Group's customer base is diversified and include only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2018, revenue from sales of properties to this customer amounted to approximately RMB1,032,429,000 (2017: Nil).

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

3 Other income

	2018	2017
	RMB'000	*RMB'000*
Government grants (i)	**31,798**	6,890
Unrealised fair value gain/(loss) from financial assets measured at fair value through profit or loss ("**FVPL**")	**20,757**	(22,446)
Net gain from disposal of financial assets measured at FVPL	**28,772**	127,472
Net gain on disposal of subsidiaries	**6,570**	198,175
Net gain on disposal of property, plant and equipment	**164**	643
Dividend income	**—**	867
Income from return of prepaid investment cost	**—**	178,585
Others	**4,299**	1,614
	92,360	491,800

(i) During the year, the Group transferred certain properties under development for sale to investment properties (note 7). The related government grants of RMB29,601,000 (2017: RMB3,604,000) previously recorded as deferred income were recognised in profit or loss as other income during the year.

4 Profit before taxation

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

(a) Finance income and finance costs:

	2018	2017
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**(16,186)**	(5,722)
Other interest income	**(19,101)**	—
	(35,287)	(5,722)
Finance costs		
Interest on bank loans and other borrowings	**142,656**	147,250
Interest on corporate bonds	**21,583**	15,830
Interest on senior notes	**248,560**	195,650
Accrued interest on significant financing component of contract liabilities	**16,497**	—
	429,296	358,730
Less: interest expense capitalised into properties under development *	**(105,712)**	(91,125)
	323,584	267,605
Net foreign exchange loss	**15,786**	7,416
	339,370	275,021

* The borrowing costs have been capitalised at rates ranging from 5.15% - 9.60% per annum (2017: 5.15% - 9.03%).

(b) Staff costs:

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**217,536**	242,682
Contributions to defined contribution retirement plans	**10,683**	10,561
Equity settled share-based payments	**—**	3
	228,219	253,246

(c) Other items:

	2018	2017
	RMB'000	*RMB'000*
Depreciation and amortisation	**29,035**	33,738
Impairment losses		
– trade and other receivables	**46,640**	2,639
– property, plant and equipment	**—**	956
– intangible assets	**—**	243
– inventories	**—**	497
Write off of goodwill	**—**	1,379
Reversal of over-accrued estimated compensation in relation to a sub-lease arrangement	**—**	(35,956)
Auditor's remuneration	**4,100**	3,850
Operating lease charges	**18,670**	15,105
Rentals receivable from investment properties less direct outgoings of RMB8,362,000 (2017: RMB3,061,000)	**7,565**	8,933
Cost of properties sold (i)	**1,621,033**	1,017,722

(i) Cost of properties sold is after netting off of utilisation of deferred income in respect of government grants of RMB160,230,000 for the year ended 31 December 2018 (2017: RMB220,649,000).

5 Income tax in the consolidated statement of profit or loss

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

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**PRC CIT**") (iii)	**167,990**	175,192
PRC Land Appreciation Tax ("**PRC LAT**") (iv)	**122,542**	198,754
	290,532	373,946
Deferred tax		
Origination and reversal of temporary differences	**16,201**	84,780
	306,733	458,726

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

(ii) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year (2017: Nil).

(iii) PRC CIT

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

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("**Ganzhou Trade Centre**") was approved to enjoy a preferential PRC CIT rate of 15% for the years from 2012 to 2020 according to a tax notice issued by the local tax bureau.

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 Mainland China.

(iv) PRC LAT

PRC LAT which is levied on properties developed for sale by the Group in the Mainland China, 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 Mainland China 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.

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

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**416,620**	713,981
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**191,223**	286,286
Tax effect of non-deductible expenses	**4,754**	6,293
Tax effect of non-taxable income	**(2,098)**	(217)
Tax effect of unused tax losses not recognised	**29,077**	30,126
Tax effect of temporary differences not recognised	**3,504**	12,029
Utilisation of previously unrecognised tax losses	**(6,224)**	(18,800)
PRC LAT (note 5(a) (iv))	**122,542**	198,754
Tax effect on PRC LAT	**(29,299)**	(48,348)
Tax concessions (note 5(a) (iii))	**(6,746)**	(7,397)
Total income tax	**306,733**	458,726

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB106,995,000 (2017: RMB245,573,000) and the weighted average of 4,014,844,000 ordinary shares (2017: 4,014,844,000 ordinary shares).

(b) Diluted earnings per share

All options are lapsed and therefore there is no effect of deemed issue of shares under the Company's pre-IPO share option Scheme (the "**Pre-IPO Share Option Scheme**") as at 31 December 2018.

In 2017, the effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration was anti-dilutive.

7 Investment properties and investment properties classified as held for sale

(a) Reconciliation of carrying amount of investment properties

	Completed properties *RMB'000*	Properties under development *RMB'000*	Total *RMB'000*
At 1 January 2017	1,520,800	—	1,520,800
Transferred from inventories	158,445	192,785	351,230
Fair value adjustments	152,655	235,215	387,870
At 31 December 2017 and 1 January 2018	1,831,900	428,000	2,259,900
Transferred from inventories	5,268	283,798	289,066
Fair value adjustments	(12,161)	112,795	100,634
Classified as assets held for sale (b)	(26,463)	—	(26,463)
Transfer upon completion	437,000	(437,000)	—
At 31 December 2018	2,235,544	387,593	2,623,137
Representing			
Valuation - 2018	2,235,544	387,593	2,623,137
Valuation - 2017	1,831,900	428,000	2,259,900
Book value			
At 31 December 2018	2,235,544	387,593	2,623,137
At 31 December 2017	1,831,900	428,000	2,259,900

(b) Reconciliation of carrying amount of investment properties classified as held for sale

	RMB'000
At 1 January 2018	—
Transferred from investment properties	26,463
At 31 December 2018	26,463
Book value	
At 31 December 2018	26,463
At 31 December 2017	—

During the year, the Group transferred certain investment properties to investment properties classified as held for sale as there was an actual change in use from earning rental income to sale.

During the year, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties as there was an actual change in use from sale to earning rental income purpose. A fair value gain of RMB106,522,000 (2017: RMB384,391,000), and corresponding deferred tax of RMB 26,630,000 (2017: RMB96,187,000), upon the transfer had been recognised in profit or loss.

During the year, a decrease in fair value of RMB5,888,000 (2017: an increase in fair value of RMB3,479,000) and corresponding deferred tax of RMB287,000 (2017:RMB979,000), have been recognised in profit or loss in respect of the existing investment properties.

The fair value of investment properties and investment properties under development is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB683,900,000 (31 December 2017: RMB720,200,000).

The Group's investment properties are held on leases of between 3 to 15 years in the Mainland China. Total future minimum lease payments under non-cancellable operating leases are receivable combined with others.

8 Trade and other receivables

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Trade receivables (a)	**243,070**	45,252
Less: loss allowance	**(2,691)**	(9,864)
	240,379	35,388
Finance lease receivables	**70,058**	22,659
Less: loss allowance	**(12,450)**	—
	57,608	22,659
Other debtors (b)	**340,855**	399,761
Amount due from a joint venture (c)	**—**	17,778
Amount due from an associate (c)	**4,000**	4,000
	344,855	421,539
Financial assets measured at amortised cost	**642,842**	479,586
Prepaid sales related tax and other taxes	**139,199**	125,527
Deposits and prepayments (d)	**990,237**	483,390
	1,772,278	1,088,503

Note: Upon the adoption of IFRS 9, no opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and other receivables. (See note 1(c)).

(a) Ageing analysis

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**214,980**	10,990
1 to 3 months	**14,544**	5,167
3 to 6 months	**4,056**	7,064
Over 6 months	**6,799**	12,167
	240,379	35,388

Trade 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.

(b) The balance included consideration to be received from disposal of subsidiaries of RMB51,000,000 (2017: RMB284,765,000) which is fully and unconditionally guaranteed by an independent third party, loans provided by Shenzhen Hydoo Microfinance Company Limited (深圳市毅德小額貸款有限公司) to third parties of RMB76,500,000 (2017: RMB19,227,000), which are interest-bearing from 8% to 36% per annum, unsecured and to be recovered within one year, and receivable from a third party of RMB189,938,000 (2017: Nil), which is guaranteed by an independent third party, interest-bearing at 13% per annum and to be recovered within one year.

(c) The balances of amount due from an associate is unsecured, interest-free and recoverable on demand.

(d) The balance included prepayments and deposits for purchase of leasehold land of RMB644,783,000 (2017: RMB298,496,000)

9 Trade and other payables

	31 December 2018 *RMB'000*	1 January 2018(i) *RMB'000*	31 December 2017(i) *RMB'000*
Trade and bills payables (ii)	**2,007,677**	2,131,258	2,131,258
Other payables and accruals	**731,424**	476,083	476,083
Financial liabilities measured at amortised cost	**2,739,101**	2,607,341	2,607,341
Receipts in advance (iii)	**8,471**	9,107	1,451,017
Deposits (iv)	**175,956**	94,420	94,420
	2,923,528	2,710,868	4,152,778

(i) The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

(ii) 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:

	2018 *RMB'000*	2017 *RMB'000*
Due within 1 month or on demand	**293,081**	438,023
Due after 1 to 3 months	**208,607**	221,791
Due after 3 months but within 6 months	**322,785**	383,038
Due after 6 months	**1,183,204**	1,088,406
	2,007,677	2,131,258

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones.

The Group normally retains 2% to 10% as retention money. At 31 December 2018, included in trade payables are retention payables of RMB300,137,000 (2017: RMB281,680,000), which are expected to be settled after more than one year.

(iii) As at 31 December 2018, receipts in advance represents 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.

(iv) At 31 December 2018, deposits of RMB34,888,000 (2017: RMB24,112,000) are expected to be settled after more than one year. All of the other payables and accrued expenses and deposits are expected to be settled within one year.

10 Senior notes

	2018	2017
	RMB'000	*RMB'000*
Current		
US$160 million senior notes due in 2018		
– Tranche 1 (i)(ii)(iv)	**—**	645,006
– Tranche 2 (ii)(iv)	**—**	397,893
US$60 million senior notes due in 2019 (iii)	**411,311**	—
	411,311	1,042,899
Non-current		
US$157 million senior notes due in 2020		—
– Tranche 1 (iv)	**873,225**	—
– Tranche 2 (v)	**181,445**	—
US$60 million senior notes due in 2019 (iii)	**—**	390,964
	1,054,670	390,964
	1,465,981	1,433,863

(i) On 15 December 2015, the Company issued 13.75% senior notes with an aggregate principal amount of US$100,000,000 (equivalent to RMB646,261,000) at 99.404%, which are due in 2018 (the "**2018 Senior Notes**"). 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.

(ii) On 14 September 2016, the Company issued additional 2018 Senior Notes with an aggregate principal amount of US$60,000,000 (equivalent to RMB400,716,000) at 104.81% of the principal amount plus accrued interest, 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 net proceeds from the additional 2018 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 additional 2018 Senior Notes is calculated using the effective interest rate of 12.42% per annum. On 9 May 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 note (iv). As a result of the completion of this exchange, there was an outstanding principal amount of US$61,600,000 (approximately 38.5%) of the total aggregate principal amount of the 2018 Senior Notes, and the Company has redeemed all outstanding 2018 Senior Notes on maturity on 17 December 2018.

(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 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 US$130,000,000, 12% due 2020 senior notes (the "**2020 Senior Notes**"). The exchange offer and the concurrent new issue were completed on 9 May 2018, and the net proceeds from the new issue, 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. Interest expense on the 2020 Senior Notes is calculated using effective interest rate of 13.78% per annum.

(v) On 10 August 2018, the Company issued additional 2020 Senior Notes with an aggregate principal amount of US$27,000,000 (equivalent to RMB184,667,000) at 98.44% of the principal amount plus accrued interest, 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 net proceeds from the additional 2020 Senior Notes, after including interest in arrear and deducting the transaction costs, of US$26,201,000 (equivalent to RMB179,204,000) was received by the Company on 16 August 2018. Interest expense on the additional 2020 Senior Notes is calculated using the effective interest rate of 13.74% per annum.

11 Corporate bonds

	2018 *RMB'000*	2017 *RMB'000*
Current		
HK$11.5 million corporate bonds (i)	**2,944**	6,665
RMB260 million corporate bonds (ii)	**258,390**	—
	261,334	6,665
Non-current		
HK$11.5 million corporate bonds (i)	**—**	2,590
RMB260 million corporate bonds (ii)	**—**	257,180
	—	259,770
	261,334	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.

12 Dividend

(i) For the year ended 31 December 2018, no final dividend in respect of the previous financial year was approved and paid (2017: Nil).

(ii) Subsequent to the end of reporting period, no final dividend is proposed (2017: Nil).

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Hydoo International Holding Limited, I hereby present the annual results of the Group for FY2018.

FINANCIAL RESULTS

During the Year, the Group's revenue and gross profit amounted to approximately RMB2,842.2 million and RMB1,142.9 million respectively, representing an increase of 58.6% and 59.7% respectively (the revenue and gross profit for FY2017: RMB1,792.4 million and RMB715.8 million, respectively). Basic earnings per share for FY2018 were RMB2.7 cents (FY2017: RMB6.1 cents).

MARKET AND OPERATION REVIEW

In 2018, China's Gross Domestic Product ("**GDP**") amounted to RMB90 trillion, up 6.6% year on year, with the growth rate falling by 0.3%. The downward pressure on China's economy has increased, which contributed to the trend of slowing-down growth rate. Specifically, the industrial growth rate declined to 5.4%, which is the lowest since 1992 and beyond our expectation. The consumption growth rate also hit a new low, with the import & export and inflation all falling, and the growth rate of currency supply and social financing dropping to a historical low, and the decline in fiscal revenue continuing to expand. From the perspective of the industry, the frequency of Chinese government issuing regulation policies on its real estate market in 2018 has hit a record high, with the restrictive policies aimed at strengthening supervision, deleveraging and encouraging diversification imposing considerable pressure and challenges in the real estate industry.

In view of the complicated market environment both at home and abroad, the Group managed to fight back the adverse effects caused by various difficulties, and strived to maintain social stability, to ensure normal operation of the economy, to maintain proper pace of the economic growth, to promote reform, and to maintain the sustainability of the Group's operations. During the Year, the Group recorded a contracted sales amount of approximately RMB2,854.9 million, representing an increase of 5.0% as compared to the previous year. The Group relied on project management as the spearhead to enhance its economic efficiency. On one hand, it increased its efforts to liquidate the inventory and integrate sales resources, so as to capitalize the inventory assets, among which, the sales of the existing commercial assets of the Group in Jining, Liuzhou, Lanzhou, Wuzhou, Yantai, Ganzhou, Yulin and Heze achieved agreeable results. On the other hand, to be in line with the market conditions, the Group launched new saleable projects, especially the residential projects, aiming to grasp the opportunities, to keep the progress of the projects under control, and to recover sales proceeds as quickly as possible. During the Year, the residential projects of the Group in Jining, Ganzhou and Wuzhou were offered for sales in an orderly manner, providing strong support for its contracted sales results.

In respect of the recurring business, its income continued to grow during the Year. In 2018, the Group's revenue from the provision of property management services amounted to approximately RMB57.5 million, an increase of 15.7% from the previous year. Such increase in revenue was attributable to the continuous expansion of our property management services business and the increase in the area of the properties under our management. The revenue from rentals amounted to approximately RMB39.7 million, an increase of 66.2% from the previous year, which is the result of continuous increase in leasing areas.

While focusing on industrial real estate as its principal activities, the Group continued to pursuit its target of transformation and innovation and strived to improve the quality of its development. The Group's independently-developed store management software "Yi Zhang Gui (毅掌柜)", aggregated payment system "Yi Qi Fu (毅起付)"and logistics management software "Yi Qi Song (毅起送)" continue to be leveraged across the industrial parks where the Group's projects are located and were upgraded during the process. Meanwhile, the Group participated in the strategic investment in the technologically innovative enterprises such as Shanghai Shangqiao Supply Chain Service Co., Ltd. (上海商橋供應鏈服務有限公司), Shenzhen Canbeidou Supply Chain Management Co., Ltd. (深圳市餐北斗供應鏈管理有限公司) and Beijing Chaoliang Technology Co., Ltd. (北京超糧科技有限責任公司), which has brought the Group closer to its goal of becoming a first-class industrial real estate investment holding group. The Group also established a strategic partnership with the Shenzhen Industry-University-Research Institute Collaboration Association, and introduced advanced technologies such as robots and artificial intelligence and integrated resources from all origins to promote the construction of the Group's artificial intelligence park.

PROSPECTS

As learnt from the GDP data in recent years, China's economy will continue to face significant downward pressure in the next few years. The Central Committee's Economic Work Conference held at the end of 2018 has made detailed arrangements for the economic work in 2019, and proposed that the macroeconomic policies shall strengthen countercyclical adjustment while pursuing proactive fiscal policies. The keynote was set for the seven key tasks in relation to China's economy in 2019, including promoting the high-quality development of the manufacturing industry, promoting the establishment of a booming domestic market, steadily implementing the rural revitalization strategy, promoting regional coordinated development, accelerating economic restructuring, promoting all-round opening up, and strengthening security and improving people's livelihood. For the real estate industry, the general positioning of the Chinese central government of "the housing is for accommodation, not for speculation" has remained unchanged. It is expected that the downward pressure on real estate investment and sales will increase in 2019, and the financial regulatory policies will remain tightened, with the regulating measures such as restriction on land financing, the shortage of loan quotas for R&D and the strengthening of loan approval remain unchanged in the short term. The leveraging capacity and flexibility of the real estate enterprises are further limited, and financing and financing costs will certainly constitute the main difficulties to be faced by real estate developers in 2019.

In 2019, we will face the reality of increasing downward pressure on China's economy, and continue to pursue stable development. Based on the practical circumstances, we will carry on our reform and innovation, and give full support to the Group's pursuit of high-quality development. The Group will focus on the following aspects: firstly, relying on project management as the spearhead to enhance the Group's principal business operations; secondly, seizing the opportunity arising from resource integration to improve the Group's industrial structure; thirdly, pursuing the target of transformation and innovation to improve the quality of the Group's development; fourthly, strengthening management as the objective to facilitate the Group's transformation and upgrading; fifthly, focusing on organizational reform to enhance the quality of our talent team; sixthly, fostering a corporate culture featuring cleanness, honesty and self-discipline.

In addition, though we are confronted with numerous uncertainties and volatility, there are opportunities for us to look forward to. In February 2019, the State Council promulgated the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (the "**Outline**"), which positioned Hong Kong, Macao, Guangzhou and Shenzhen as the four core cities of the Greater Bay Area, which are required to give full play to their roles as the core drivers of regional development, and continue to exert their comparative advantages to grow bigger and stronger, and promote the development in the surrounding areas. The Group will stay abreast of the market demands and rationally plan the construction of the projects in the Greater Bay Area. Meanwhile, the Group entered into strategic partnership with the Shenzhen Industry-University-Research Institute Collaboration Association at the end of 2018, which provided that the Shenzhen Industry-University-Research Institute Collaboration Association will procure that the outstanding high-tech enterprises, funds and service organizations in the Greater Bay Area shall provide services to the projects operated by the Shenzhen Industry-University-Research Institute Collaboration Association, and recommend to the Company high-quality cross-disciplinary resources and services such as robotics, artificial intelligence, life & health, and technology finance, and share with the Company advanced models and experience in relation to the relevant frontline policies and industrial park development and construction, business strategies and operations management. In 2019, the Group will speed up the implementation and refinement of its cooperation with the Shenzhen Industry-University-Research Institute Collaboration Association, and seek cooperation with more high-tech companies with high added values and introduce them into its new industries and projects, aiming to advance the strategic deployment of the Group's technological innovation and production-city integration in a planned and step-by-step manner.

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, 28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of FY2018 Performance

Contracted Sales Performance

In FY2018, the Group recorded contracted sales of approximately RMB2,854.9 million and contracted sales area of 401,378 sq.m., representing an increase of 5.0% and a decrease of 13.9% respectively (FY2017: approximately RMB2,718.9 million and 466,115 sq.m.). Contracted sales recorded during the Year were primarily in relation to the pre-sale of properties for projects in Jining, Liuzhou, Lanzhou, Wuzhou and Yantai.

Details of contracted sales recorded in FY2018 are shown in the table below:

	For the year ended 31 December					
	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)					
Jining Trade Center						
Other commercial	**43,222**	**13,665**	**590,615**	—	—	—
Shopping mall	**51,941**	**9,500**	**493,436**	—	—	—
Residence	**25,931**	**5,760**	**149,352**	28,174	4,801	135,273
Wholesale trading market units	**30,725**	**4,111**	**126,297**	15,885	4,134	65,662
Liuzhou Trade Center						
Wholesale trading market units	**40,978**	**8,291**	**339,761**	121,102	8,660	1,048,778
Lanzhou Trade Center						
Wholesale trading market units	**57,391**	**5,146**	**295,354**	74,986	5,807	435,408
Wuzhou Trade Center						
Residence	**23,656**	**4,579**	**108,326**	—	—	—
Wholesale trading market units	**22,333**	**4,448**	**99,333**	33,629	4,620	155,372
Yantai Trade Center						
Serviced apartments	**12,977**	**9,501**	**123,290**	—	—	—
Wholesale trading market units	**10,171**	**6,152**	**62,570**	2,898	6,546	18,970
Ganzhou Trade Center						
Residence	**20,429**	**7,021**	**143,426**	5,610	4,442	24,920
Wholesale trading market units	**2,937**	**9,698**	**28,484**	4,319	7,516	32,463
Yulin Trade Center						
Wholesale trading market units	**26,065**	**4,961**	**129,306**	8,511	4,994	42,503
Shopping mall	**2,027**	**5,667**	**11,488**	—	—	—
Heze Trade Center						
Wholesale trading market units	**22,777**	**4,659**	**106,124**	57,656	4,178	240,869
Mianyang Trade Center						
Wholesale trading market units	**6,927**	**6,409**	**44,393**	3,508	5,344	18,746

	For the year ended 31 December					
	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)					
Others	—	—	—	7,120	1,685	12,000
Ningxiang Trade Center						
Serviced apartments	**891**	**3,715**	**3,310**	13,928	4,237	59,011
Bengbu Commercial and Residential Project						
Residence	—	—	—	69,189	4,526	313,140
Xingning Trade Center						
Wholesale trading market units	—	—	—	19,600	5,908	115,790
Total	**401,378**	**7,113**	**2,854,865**	466,115	5,833	2,718,905

Land Acquisition and Land Bank

In FY2018, 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 (the "**GFA**") of approximately 0.5 million sq.m.. As of 31 December 2018, we had a total land bank of approximately 9.0 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	Saleable GFA of completed properties	Total GFA of properties delivered as of 31/12/2018	Undelivered saleable GFA of completed properties as of 31/12/2018	Estimated GFA of properties under development	Estimated GFA of properties planned for future development	Land bank
	sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*
Lanzhou Trade Center	585,165	490,976	282,269	208,707	108,553	2,523,325	2,840,585
Ganzhou Trade Center	953,308	900,226	637,141	263,085	269,097	2,054,043	2,586,225
Wuzhou Trade Center	452,759	405,168	267,343	137,825	158,301	553,348	849,474
Jining Trade Center	835,670	746,158	638,555	107,603	260,260	316,929	684,792
Heze Trade Center	301,846	284,104	179,299	104,805	84,736	308,111	497,652
Jiamusi Trade Center	6,344	6,344	—	6,344	—	449,038	455,382
Yulin Trade Center	432,680	355,613	241,575	114,038	212,805	110,895	437,738
Yantai Trade Center	141,040	143,158	45,642	97,516	140,425	—	237,941
Liuzhou Trade Center	154,517	154,517	131,493	23,024	33,651	112,093	168,768
Ningxiang Trade Center	382,842	374,948	286,857	88,091	61,518	—	149,609
Mianyang Trade Center	511,435	434,236	396,501	37,735	—	80,321	118,056
Haode Yinzuo	48,650	48,650	39,833	8,817	—	—	8,817
Total	**4,806,256**	**4,344,098**	**3,146,508**	**1,197,590**	**1,329,346**	**6,508,103**	**9,035,039**

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 31 December 2018, we had acquired the land-use rights encompassing a total site area of approximately 1.5 million sq.m., with a total GFA of approximately 3.2 million sq.m. upon completion.

As of 31 December 2018, we had completed the construction of the wholesale trading markets and a commercial pedestrian street. We were constructing wholesale trading markets. 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 land area of approximately 1.5 milliom 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 31 December 2018, we had acquired all the land-use rights for this trade center project.

As of 31 December 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 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 31 December 2018, we had acquired land-use rights for all of Phase I, encompassing a total site area of approximately 0.6 million sq.m. with a total planned GFA of approximately 1.2 million sq.m. upon full completion of Phase I development.

As of 31 December 2018, we had completed the construction of wholesale trading markets, shopping malls, a commercial and exhibition center, and certain supporting buildings and facilities. We were constructing residential areas. As part of our future development plan, we are planning to construct residential areas, 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 31 December 2018, we had acquired land-use rights for all of Phase I and Phase II, encompassing a total site area of approximately 1.0 million sq.m. and expect a total GFA of approximately 1.4 million sq.m. upon full completion of Phase I and Phase II.

As of 31 December 2018, we had completed the construction of wholesale trading markets, shopping malls and residential areas, and were constructing a shopping mall, a commercial center and residential areas. As part of our future development plan, we are planning to construct wholesale trading markets, serviced apartments, residential areas 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 31 December 2018, we had acquired land-use rights for all of Phase I and a portion of Phase II, encompassing a total site area of approximately 0.7 million sq.m. with a total planned GFA of approximately 0.7 million sq.m. upon completion of the Phase I and Phase II development.

As of 31 December 2018, we had completed the construction of the wholesale trading markets, a shopping mall and a commercial center, and were constructing 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.

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 31 December 2018, we had acquired land-use rights for Phase I development, encompassing a total site area of approximately 0.5 million sq.m., with a total planned GFA of approximately 0.5 million sq.m. upon completion.As of 31 December 2018, we had completed a commercial center.

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 GuangKun 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 31 December 2018, we had acquired land-use rights for all of Phase I, Phase II and Phase III, encompassing a total site area of approximately 0.6 million sq.m. with a total planned GFA of approximately 0.8 million sq.m. upon full completion of Phase I, Phase II and Phase III development.

As of 31 December 2018, we had completed construction of wholesale trading markets, shopping malls and a commercial and exhibition center, and were constructing additional wholesale trading markets and residential areas. As part of our future development plan, we are planning to construct serviced apartments 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 31 December 2018, we had acquired land-use rights for all of Phase I, encompassing a total site area of approximately 0.2 million sq.m. with a total planned GFA of approximately 0.3 million sq.m. upon completion.

As of 31 December 2018, we had completed the construction of wholesale trading markets, we were constructing an office building, serviced apartments, a commercial center and certain supporting buildings and facilities.

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 31 December 2018, we had acquired the land-use rights for all of Phase I, encompassing a total site area of approximately 0.3 million sq.m., with a total planned GFA of approximately 0.3 million sq.m. upon completion.

As of 31 December 2018, 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 hotel, 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 31 December 2018, we had acquired land-use rights for all of Phase I, encompassing a total site area of approximately 0.3 million sq.m. with a total planned GFA of approximately 0.4 million sq.m. upon full completion of Phase I.

As of 31 December 2018, 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 site area of approximately 0.6 million sq.m., which is expected to be developed in several phases, and is estimated to have a total GFA of approximately 0.6 million sq.m. when fully completed. As of 31 December 2018, we had acquired all the land-use rights for this trade center project.

As of 31 December 2018, 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 RMB1,049.8 million, or 58.6%, from approximately RMB1,792.4 million for FY2017 to RMB2,842.2 million for FY2018. 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 stated periods:

	For the year ended 31 December			
	2018		2017	
	(RMB'000)	*%*	*(RMB'000)*	*%*
Sales of properties	**2,712,484**	**95.4%**	1,697,273	94.7%
Property management services	**57,458**	**2.0%**	49,664	2.8%
Rental income	**39,723**	**1.4%**	23,901	1.3%
Others	**32,537**	**1.2%**	21,583	1.2%
Total	**2,842,202**	**100.0%**	1,792,421	100.0%

Sales of Properties

Revenue from the sales of properties increased by RMB1,015.2 million, or 59.8%, from approximately RMB1,697.3 million for FY2017 to RMB2,712.5 million for FY2018. The increase of the sales of properties was mainly due to the increase in the average sales price of properties sold and the increase in GFA of properties sold. The average sales price increased by RMB1,432 per sq.m., or 27.3%, from RMB5,237 per sq.m. for FY2017 to RMB6,669 per sq.m. for FY2018, and the GFA of properties sold increased by 82,622 sq.m., or 25.5% from 324,082 sq.m. for FY2017 to 406,704 sq.m. for FY2018. Our revenue from the sales of properties for FY2018 was primarily derived from the sales at our Jining Trade Center, Liuzhou Trade Center, Lanzhou Trade Center and Ganzhou Trade Center.

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

	For the year ended 31 December					
	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)					
Jining Trade Center						
Other Commercial	**43,222**	**12,929**	**558,809**	—	—	—
Shopping mall	**51,941**	**8,988**	**466,869**	—	—	—
Wholesale trading market units	**16,278**	**3,993**	**65,005**	14,764	4,394	64,868
Residence	**4,449**	**3,875**	**17,242**	31,163	4,453	138,769
Subtotal	**115,890**	**9,560**	**1,107,925**	45,927	4,434	203,637
Liuzhou Trade Center						
Wholesale trading market units	**72,483**	**7,815**	**566,425**	59,010	7,815	461,158
Subtotal	**72,483**	**7,815**	**566,425**	59,010	7,815	461,158
Lanzhou Trade Center						
Wholesale trading market units	**85,071**	**5,255**	**447,026**	59,539	5,913	352,064
Subtotal	**85,071**	**5,255**	**447,026**	59,539	5,913	352,064
Ganzhou Trade Center						
Residence	**79,213**	**4,034**	**319,556**	—	—	—
Wholesale trading market units	**—**	**—**	**—**	1,750	3,423	5,990
Subtotal	**79,213**	**4,034**	**319,556**	1,750	3,423	5,990
Wuzhou Trade Center						
Wholesale trading market units	**16,495**	**4,284**	**70,672**	29,928	4,493	134,469
Subtotal	**16,495**	**4,284**	**70,672**	29,928	4,493	134,469
Yantai Trade Center						
Wholesale trading market units	**12,339**	**5,716**	**70,527**	4,301	5,868	25,239
Subtotal	**12,339**	**5,716**	**70,527**	4,301	5,868	25,239

	For the year ended 31 December					
	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)					
Mianyang Trade Center						
Wholesale trading market units	**7,100**	**5,895**	**41,855**	3,650	5,173	18,883
Others	**—**	**—**	**—**	7,132	1,602	11,429
Subtotal	**7,100**	**5,895**	**41,855**	10,782	2,811	30,312
Heze Trade Center						
Wholesale trading market units	**9,680**	**4,137**	**40,043**	57,108	3,951	225,662
Subtotal	**9,680**	**4,137**	**40,043**	57,108	3,951	225,662
Yulin Trade Center						
Wholesale trading market units	**6,251**	**5,686**	**35,541**	12,731	4,912	62,536
Subtotal	**6,251**	**5,686**	**35,541**	12,731	4,912	62,536
Haode Yinzuo						
Others	**760**	**10,413**	**7,914**	—	—	—
Residence	**293**	**4,696**	**1,376**	—	—	—
Subtotal	**1,053**	**8,822**	**9,290**	—	—	—
Ningxiang Trade Center						
Serviced apartments	**1,129**	**3,210**	**3,624**	735	3,214	2,362
Subtotal	**1,129**	**3,210**	**3,624**	735	3,214	2,362
Xingning Trade Center						
Wholesale trading market units	**—**	**—**	**—**	21,147	5,268	111,400
Subtotal	**—**	**—**	**—**	21,147	5,268	111,400
Bengbu Commercial and Residential Project						
Residence	**—**	**—**	**—**	21,124	3,903	82,444
Subtotal	**—**	**—**	**—**	21,124	3,903	82,444
Total	**406,704**	**6,669**	**2,712,484**	324,082	5,237	1,697,273

Property Management Services

Revenue from property management services increased by RMB7.8 million, or 15.7%, from RMB49.7 million for FY2017 to RMB57.5 million for FY2018. This increase primarily reflected the continued expansion of our property management portfolio.

Rental Income

Revenue from rental income increased by RMB15.8 million, or 66.2%, from RMB23.9 million for FY2017 to RMB39.7 million for FY2018. The increase was primarily due to the increase in leasing area during the Year.

Cost of Sales

Cost of sales increased by RMB622.7 million, or 57.8%, from RMB1,076.6 million for FY2017 to RMB1,699.3 million for FY2018, primarily reflecting an increase in GFA sold. Apart from this, our government grants credited to cost of sales decreased by RMB60.4 million, or 27.4%, from RMB220.6 million for FY2017 to RMB160.2 million for FY2018.

Gross Profit and Margin

As a result of the foregoing, gross profit increased by RMB427.1 million, or 59.7%, from RMB715.8 million for FY2017 to RMB1,142.9 million for FY2018. The increase was in line with the increase in sales of properties in FY2018. Our gross profit margin slighty increased from 39.9% for FY2017 to 40.2% for FY2018.

Other Income

Other income decreased by RMB399.4 million, or 81.2%, from RMB491.8 million for FY2017 to RMB92.4 million for FY2018. The decrease was mainly due to that the net gain on disposal of subsidiaries decreased from RMB198.2 million for FY2017 to RMB6.6 million for FY2018, and income from return of prepaid investment cost decreased from RMB178.6 million for FY2017 to Nil for FY2018.

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB36.3 million, or 24.6%, from RMB147.3 million for FY2017 to RMB111.0 million for FY2018. 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 decreased by RMB22.2 million, or 4.8%, from RMB459.0 million for FY2017 to RMB436.8 million for FY2018. The decrease was primarily due to the effective control of administrative costs by the Group.

Fair Value Gain on Investment Properties

During the Year, the Group transferred certain investment properties to investment properties as held for sale as there was an actual change in use from earning rental income to sale.

During the Year, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties, since there was a change in use from sale to earning rental income. The Group's investment properties carried at fair value as of 31 December 2018 were valued by Savills Valuation and Professional Services Limited, an independent firm of surveyors. For FY2018, the Group recorded a fair value gain of RMB100.6 million (FY2017: RMB387.9 million).

Finance Income

Our finance income increased by RMB29.6 million, from RMB5.7 million for FY2017 to RMB35.3 million for FY2018. The increase reflected an increase in interest income from our bank deposit and interest-bearing receivables in FY2018.

Finance Costs

Our finance costs increased by RMB64.4 million, or 23.4%, from RMB275.0 million for FY2017 to RMB339.4 million for FY2018. The increase was primarily due to the increase of interest on senior notes during the Year.

Income Tax

Our income tax expense decreased by RMB152.0 million, or 33.1%, from RMB458.7 million for FY2017 to RMB306.7 million for FY2018. Such decrease was primarily due to the decrease in provision for PRC Land Appreciation Tax during the Year.

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

As a result of the foregoing, our profit decreased by RMB145.4 million, or 57.0%, from RMB255.3 million for FY2017 to RMB109.9 million for FY2018. Our profit attributable to equity shareholders of the Company decreased by RMB138.6 million, or 56.4%, from RMB245.6 million for FY2017 to RMB107.0 million for FY2018.

Pledged and Restricted Cash

Pledged and restricted cash amounted to RMB585.6 million as of 31 December 2018, compared to RMB857.7 million as of 31 December 2017. As of 31 December 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 bills payables.

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, proceeds from IPO, 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.

	As of 31 December *(RMB'000)*	
	2018	2017
Current		
Secured		
– short-term bank loans and other borrowings	**—**	14,843
– current portion of non-current bank loans and other borrowings	**472,661**	1,158,216
Unsecured		
– short-term bank loans and other borrowings	**15,000**	28,800
Subtotal	**487,661**	1,201,859
Non-current		
Secured		
– repayable after 1 year but within 2 years	**498,750**	364,770
– repayable after 2 years but within 5 years	**223,250**	421,000
– repayable after 5 years	**56,250**	75,000
Unsecured		
– repayable after 1 year but within 2 years	**1,000**	—
– repayable after 2 years but within 5 years	**—**	1,000
Subtotal	**779,250**	861,770
Total	**1,266,911**	2,063,629

Bank loans and other borrowings bear interest rates ranging from 2.12% to 9.60% per annum for FY2018 (FY2017: 2.12% to 9.03% per annum) and are secured by the following assets:

	As of 31 December	
	(RMB'000)	
	2018	2017
Completed properties held for sale	**712,045**	1,476,581
Investment properties	**683,900**	720,200
Properties held for future development for sale	**441,523**	619,821
Property, plant and equipment	**357,053**	367,070
Properties under development for sale	**214,354**	1,119,998
Pledged cash	**—**	325,421
Total	**2,408,875**	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 31 December 2018, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,204.5 million (FY2017: RMB2,512.0 million).

Commitments

Capital commitments outstanding as at 31 December 2018 contracted but not provided for in the financial statements were as follows:

	As of 31 December *(RMB'000)*	
	2018	2017
Construction and development contracts	**2,050,974**	765,895
Land agreements	**—**	25,981
Total	**2,050,974**	791,876

Key Financial Ratios

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

	As of 31 December	
	2018	2017
Current ratio[(1)]	**1.50**	1.46
Gearing ratio[(2)]	**20.5%**	25.4%
Net gearing ratio[(3)]	**24.4%**	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 People's Republic of China ("**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 FY2018.

Restriction on Sales

As of 31 December 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, 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 at 31 December 2018, the Group had a workforce of 1,074 people (FY2017: 1,254 people). The number of staff had decreased by 14.4% since 31 December 2017. During FY2018, the total employee benefit expenses amounted to RMB228.2 million, decreased by 9.9% (FY2017: RMB253.2 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. On 31 December 2018, all options under the Company's Pre-IPO Share Option Scheme were expired and all options granted and yet to be exercised under the scheme had also lapsed.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for FY2018.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2019 to 30 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the Company's forthcoming annual general meeting (the "**AGM**"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 May 2019.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange.

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 Year.

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 Year. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or its shares are prohibited from dealing in the shares of the Company during the black-out period.

AUDIT COMMITTEE

The Company established the Audit Committee on 27 September 2013 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Audit Committee by the Board. The revised terms of reference have been adopted by the Board on 27 December 2018 to comply with the new CG Code which became effective on 1 January 2019.

The Audit Committee consists of two independent non-executive Directors and one non-executive Director. The three members are Mr. Lam Chi Yuen Nelson, the chairman of the Audit Committee and an independent non-executive Director, Mr. Zhao Lihua, an independent non-executive Director, and Mr. Yuan Bing, a non-executive Director. The primary duties of the Audit Committee are to review the financial information of the Company, to oversee the financial reporting process, 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.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 27 September 2013 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Remuneration Committee by the Board.

Mr. Wang Lianzhou retired as an independent non-executive Director and the chairman of the Remuneration Committee on 20 March 2019. Mr. Yue Zheng was appointed as an independent non-executive Director and the chairman of the Remuneration Committee of the Company on 20 March 2019 to fill up the vacancy of the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Directors and one executive Director. The three members are Mr. Yue Zheng, the chairman of the Remuneration Committee and an independent non-executive Director, Mr. Lam Chi Yuen Nelson, an independent non-executive Director, and Mr. Wang Jianli, an executive Director and Chairman of the Group. The primary duties of the Remuneration Committee are to make recommendations to the policy and structure of the remuneration for Directors and senior management and to review and approve the compensation payable to Directors and members of senior management.

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to retain and motivate executive Directors by linking their compensation with their individual performance. The remuneration package includes basic salary, performance and/or discretional bonus, participation in the Pre-IPO Share Option Scheme (all options under which were expired on 31 December 2018), other share options scheme (if any) and other benefits. Remuneration of the non-executive Director includes mainly the Director's fee, which is a matter for the Board to decide by reference to the duties and responsibilities of the non-executive Director. Remuneration of the independent non-executive Directors includes the Director's fee which is determined by the Board based on the duties and responsibilities of independent non-executive Directors and their participation in the Pre-IPO Share Option Scheme (all options under which were expired on 31 December 2018) or other share option scheme (if any).

NOMINATION COMMITTEE

The Company established the Nomination Committee on 27 September 2013 with written terms of reference in compliance with the requirements of the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Nomination Committee by the Board.

Mr. Wang Lianzhou retired as an independent non-executive Director and member of the Nomination Committee on 20 March 2019. Mr. Yue Zheng was appointed as an independent non-executive Director and a member of the Nomination Committee of the Company on 20 March 2019 to fill up the vacancy of the Nomination Committee. The Nomination Committee comprises two independent non-executive Directors and one executive Director. The three members are Mr. Zhao Lihua, the chairman of the Nomination Committee and an independent non-executive Director, Mr. Yue Zheng, an independent non-executive Director, and Mr. Wang Jianli, an executive Director and Chairman of the Group. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations to the Board on the appointment and removal of Directors. In the nomination procedures, the Nomination Committee makes reference to criteria including candidates' reputation, integrity, accomplishment, experience and professional and educational background.

CONNECTED TRANSACTION

The Board confirmed that, during FY2018, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this announcement pursuant to the Listing Rules.

REVIEW OF ANNUAL RESULTS

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made. The Audit Committee is satisfied with their review of the remuneration and the independence of the auditors, KPMG, and recommended the Board to re-appoint KPMG as the Company's auditors for the year of 2019, which is subject to the approval of the shareholders at the AGM.

SCOPE OF WORK OF KPMG

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

ANNUAL GENERAL MEETING

The AGM will be held on 30 May 2019. A notice convening the AGM will be published and dispatched to the shareholders in accordance with the requirements of the Listing Rules in due course.

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

This annual results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.hydoo.com.cn**. The annual report of the Company for the year ended 31 December 2018 will be dispatched to the shareholders on or about 15 April 2019 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, 28 March 2019

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