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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 2019

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 2019 (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 2019 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Revenue	4	**633,452**	922,619
Cost of sales		**(376,622)**	(558,805)
Gross profit		**256,830**	363,814
Other income	5	**241,487**	77,609
Selling and distribution expenses		**(53,910)**	(40,953)
Administrative and other operating expenses		**(237,675)**	(217,093)
Impairment loss on trade and other receivables	6(b)	**(21,840)**	(13,855)
Profit from operations before fair value gain on investment properties		**184,892**	169,522
Fair value gain on investment properties	9	**30,669**	145,272
Profit from operations after fair value gain on investment properties		**215,561**	314,794
Share of loss of an associate		**(251)**	(353)
Share of loss of a joint venture		**(4,819)**	(1,606)
Finance income	6(a)	**20,243**	12,163
Finance costs	6(a)	**(127,640)**	(172,036)
Profit before taxation	6	**103,094**	152,962
Income tax	7	**(92,906)**	(117,553)
Profit for the period		**10,188**	35,409
Attributable to:			
Equity shareholders of the Company		**15,896**	30,536
Non-controlling interests		**(5,708)**	4,873
Profit for the period		**10,188**	35,409
Earnings per share	8		
Basic *(RMB cents)*		**0.4**	0.8
Diluted *(RMB cents)*		**0.4**	0.8

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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 2019 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Profit for the period	**10,188**	35,409
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	**(6,740)**	(11,806)
Other comprehensive income for the period	**(6,740)**	(11,806)
Total comprehensive income for the period	**3,448**	23,603
Attributable to:		
Equity shareholders of the Company	**9,156**	18,730
Non-controlling interests	**(5,708)**	4,873
Total comprehensive income for the period	**3,448**	23,603

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited

(Expressed in Renminbi)

	Note	**30 June 2019** *RMB'000*	31 December 2018 *(Note)* *RMB'000*
Non-current assets			
Property, plant and equipment		**437,103**	441,210
Investment properties	9	**2,675,700**	2,623,137
Intangible assets		**17,023**	17,634
Goodwill		**2,252**	2,252
Interest in an associate		**2,569**	2,820
Interest in joint ventures	10	**130,656**	132,672
Other financial assets	11	**246,070**	121,003
Deferred tax assets		**183,160**	157,568
Finance lease receivables		**21,520**	27,394
		3,716,053	3,525,690
Current assets			
Inventories and other contract costs	12	**7,477,903**	7,484,547
Prepaid tax		**139,718**	53,354
Other financial assets	11	**14,077**	–
Trade and other receivables	13	**1,865,244**	1,772,278
Pledged and restricted cash		**685,404**	585,583
Cash and cash equivalents		**1,059,493**	1,123,145
		11,241,839	11,018,907
Investment properties classified as held for sale	9	**–**	26,463
		11,241,839	11,045,370

	Note	**30 June 2019**	31 December 2018 *(Note)*
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	14	**2,590,274**	2,923,528
Contract liabilities		**2,537,607**	1,843,463
Bank loans and other borrowings		**618,680**	487,661
Lease liabilities		**8,805**	–
Senior notes	15	**412,360**	411,311
Corporate bonds	16	**261,671**	261,334
Current tax liabilities		**748,162**	803,651
Deferred income		**568,972**	623,296
		7,746,531	7,354,244
Net current assets		**3,495,308**	3,691,126
Total assets less current liabilities		**7,211,361**	7,216,816
Non-current liabilities			
Bank loans and other borrowings		**697,711**	779,250
Lease liabilities		**35,992**	–
Senior notes	15	**1,064,442**	1,054,670
Deferred income		**–**	653
Deferred tax liabilities		**117,426**	103,349
Other financial liability		**32,095**	–
		1,947,666	1,937,922
NET ASSETS		**5,263,695**	5,278,894

	Note	30 June 2019 RMB'000	31 December 2018 (Note) RMB'000
CAPITAL AND RESERVES	17		
Share capital		**31,825**	31,825
Reserves		**5,215,259**	5,207,006
Total equity attributable to equity shareholders of the Company		**5,247,084**	5,238,831
Non-controlling interests		**16,611**	40,063
TOTAL EQUITY		**5,263,695**	5,278,894

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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 2019 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 29 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment of RMB903,000 to decrease the opening balance of equity at 1 January 2019. Upon the adoption of IFRS 16, right-of-use assets of RMB46,257,000 and lease liabilities of RMB47,975,000 were recognised at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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 any material business in 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	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of properties	**566,436**	862,010
– Property management services	**30,391**	31,409
– Others	**14,586**	13,805
	611,413	907,224
Revenue from other sources		
– Rental income	**22,039**	15,395
	633,452	922,619

5 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**1,662**	29,804
Unrealised fair value gain from financial assets measured at fair value through profit and loss ("**FVPL**")	**19,630**	33,854
Net gain on disposal of subsidiaries *(i)*	**225,842**	6,570
Net gain on disposal of investments in wealth management products	**2,700**	3,559
Net gain on disposal of other non-current financial assets	**–**	2,599
Net gain on disposal of property, plant and equipment	**414**	93
Net loss on disposal of investment property and investment properties classified as held for sale *(note 9)*	**(10,247)**	–
Others	**1,486**	1,130
	241,487	77,609

(i) On 9 April 2019, the Group disposed its 100% equity interest in Beijing Hydoo Yingchuang Corporate Management Company Limited and Lanzhou Hydoo Yingchuang Estate Company Limited (collectively "**Yingchuang**") to an associate, Beijing Sunac Hydoo Corporate Management Company Limited, of the Group, and generated a net gain on disposal of RMB220,663,000 (note 18(i)). On 29 May 2019, the Group disposed its entire equity interest in Yulin Jingde Real Estate Company Limited to the non-controlling shareholder, Guangxi Junjing Real Estate Company Limited, and generated a net gain on disposal of RMB5,179,000 (note 18(ii)).

6 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs:

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Finance income		
Interest income	**(20,243)**	(12,163)
Finance costs		
Interest on bank loans and other borrowings	**54,259**	62,687
Interest on corporate bonds	**10,587**	10,791
Interest on senior notes	**94,371**	122,253
Interest on lease liabilities	**1,957**	–
	161,174	195,731
Less: Interest expenses capitalised into properties under development	**(37,348)**	(33,956)
	123,826	161,775
Net foreign exchange loss	**3,814**	10,261
	127,640	172,036

(b) Other items:

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Depreciation and amortisation		
– plant and equipment	**8,214**	7,718
– right of use assets	**6,983**	6,509
Impairment losses		
– trade and other receivables	**21,840**	2,118
– finance lease receivables	**–**	11,737
Cost of properties sold *(i)*	**345,355**	521,438

Note: The Group has initially applied IFRS16 at January 2019 using the modified retrospective approach. Under this approach comparative information is not restated. See note 2.

(i) Cost of properties sold is after netting off benefits from government grants of RMB77,387,000 (six months ended 30 June 2018: RMB48,987,000).

7 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**PRC CIT**")	**80,521**	31,740
PRC Land Appreciation Tax ("**PRC LAT**")	**23,900**	49,598
	104,421	81,338
Deferred tax		
Origination and reversal of temporary differences	**(11,515)**	36,215
	92,906	117,553

(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 RMB15,896,000 (six months ended 30 June 2018: RMB30,536,000) and the weighted average of 4,014,844,000 ordinary shares (six months ended 30 June 2018: 4,014,844,000 ordinary shares).

(b) Diluted earnings per share

All options granted under the Company's Pre-IPO Share Option Scheme had expired on 31 December 2018. There is no effect of deemed issue of the share option scheme.

9 INVESTMENT PROPERTIES

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17.

(b) Disposals

During the six months ended 30 June 2019, items of investment properties with a net book value of RMB21,092,000 (six months ended 30 June 2018: RMB Nil) and investment properties classified as held for sale with a net book value of RMB26,463,000 (six months ended 30 June 2018: RMB Nil) were disposed, resulting in a loss of RMB10,247,000 (note 5).

(c) Valuations

The Group's investment properties carried at fair value were revalued as at 30 June 2019 by Savills Valuation and Professional Services Limited ("**Savills**"), an independent firm of surveyors. 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.

During the six months ended 30 June 2019, a gain on fair value of RMB30,669,000 (six months ended 30 June 2018: RMB10,039,000) in respect of existing investment properties, with the total corresponding deferred tax of RMB7,297,000 (six months ended 30 June 2018: RMB2,339,000), had been recognised in the consolidated statement of profit or loss for the period.

During the six months ended 30 June 2018, a gain on fair value of RMB135,233,000 in respect of transfer of inventory to investment properties, with corresponding deferred tax of RMB33,808,000, has been recognised in the consolidated statement of profit or loss. No such transfer incurred during the six months ended 30 June 2019.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB688,300,000 (31 December 2018: RMB683,900,000).

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

10 INTEREST IN JOINT VENTURES

As at 30 June 2019, the Group's interest in Hydoo Best Group Co., Ltd. ("**Hydoo Best**") amounted to RMB126,200,000 (31 December 2018: RMB126,200,000).

In 2018, Hydoo Best was unable to get reimbursement of the cost of certain pieces of land which have to be returned to the original vendor by the order of the court. In addition, the joint venture partner of Hydoo Best was obligated to repurchase certain shares in Hydoo Best held by the Group but failed to do so within the specified time frame. This resulted in a loss on the interest in Hydoo Best held by the Group.

The directors expect that the Group will be able to recover part of its interest in Hydoo Best by obtaining the land pieces still held by Hydoo Best based on the legal opinion obtained from an external legal counsel. With reference to the fair value of these land pieces which were assessed by the Group's directors based on a valuation report prepared by external valuers, considering the Group has made a provision for impairment loss of RMB19,752,000 on the interest in Hydoo Best and a specific loss allowance of RMB19,613,000 on the amount due from that joint venture in 2018, no further provision for impairment loss is made during the six months ended 30 June 2019.

11 OTHER FINANCIAL ASSETS

	30 June 2019 RMB'000	31 December 2018 RMB'000
Non-current		
Financial assets measured at FVPL		
Unlisted equity securities not held for trading	**161,236**	118,594
Derivative financial instrument	**–**	2,409
Amount due from an associate *(note)*	**84,834**	–
	246,070	121,003
Current		
Financial assets measured at FVPL		
Derivative financial instrument	**4,385**	–
Wealth management products	**9,692**	–
	14,077	–

Note: As at 30 June 2019, the amount due from an associate measured at FVPL included consideration receivables of disposed entities amounted RMB52,654,000 and the amount due from the disposed entities of RMB32,180,000 as set out in note 18(i). The amount due from an associate measured at FVPL will be recovered according to the development progress of the underlying projects in the disposed subsidiaries (note 18(i)).

12 INVENTORIES AND OTHER CONTRACT COSTS

	30 June 2019 RMB'000	31 December 2018 RMB'000
Properties under development for sale	**3,480,808**	3,247,891
Completed properties held for sale	**2,896,216**	3,140,175
Properties held for future development for sale	**1,090,644**	1,090,240
	7,467,668	7,478,306
Other contract costs	**9,240**	5,052
Others	**995**	1,189
	7,477,903	7,484,547

As at 30 June 2019, certain properties under development for sale, completed properties held for sale and properties held for future development for sale were pledged for certain bank loans granted to the Group.

13 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 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 month	**4,907**	214,980
1 to 3 months	**16,181**	14,544
3 to 6 months	**1,085**	4,056
Over 6 months	**213,262**	6,799
Trade and bill receivables	**238,856**	243,070
Less: loss allowance	**(3,421)**	(2,691)
	235,435	240,379
Finance lease receivables	**91,669**	70,058
Less: loss allowance	**(12,450)**	(12,450)
	79,219	57,608
Amount due from a joint venture	**19,613**	19,613
Less: loss allowance *(note (10))*	**(19,613)**	(19,613)
	–	–
Amounts due from associates *(note (i))*	**84,229**	4,000
Other debtors	**286,460**	340,855
	370,689	344,855
Financial assets measured at amortised cost	**685,343**	642,842
Amount due from an associate measured at FVPL *(note (i))*	**184,460**	–
Prepaid sales related tax and other taxes	**234,864**	139,199
Deposits and prepayments	**760,577**	990,237
	1,865,244	1,772,278

(i) As at 30 June 2019, the amounts due from associates mainly included an amount of RMB70,760,000 as set out in note 18(i). The amounts due from an associate measured at FVPL represented consideration receivables of disposal of subsidiaries (note 18(i)). The above receivables had been received subsequent to 30 June 2019.

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

(iii) 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.

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 2019 *RMB'000*	31 December 2018 *RMB'000*
Due within 1 month or on demand	**60,813**	293,081
Due after 1 month but within 3 months	**710,332**	208,607
Due after 3 months but within 6 months	**562,088**	322,785
Due after 6 months	**455,468**	1,183,204
Trade and bills payables	**1,788,701**	2,007,677
Other payables and accruals	**645,579**	731,424
Financial liabilities measured at amortised cost	**2,434,280**	2,739,101
Receipts in advance	**9,886**	8,471
Deposits	**146,108**	175,956
	2,590,274	2,923,528

15 SENIOR NOTES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Current		
US$60 million senior notes due in 2019 *(i)*	**412,360**	411,311
Non-current		
US$157 million senior notes due in 2020		
– Tranche 1 *(ii)*	**881,312**	873,225
– Tranche 2 *(iii)*	**183,130**	181,445
	1,064,442	1,054,670
	1,476,802	1,465,981

(i) 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 on 30 August 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.

(ii) On 24 April 2018, the Company offered its 12% senior notes due May 2020 in an exchange offer to existing holders of 13.75% Senior Notes Due 2018 (the "**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.

(iii) 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.

16 CORPORATE BONDS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
HK$11.5 million corporate bonds *(i)*	**2,639**	2,944
RMB260 million corporate bonds *(ii)*	**259,032**	258,390
Total	**261,671**	261,334

(i) In 2016, the Company issued certain unlisted bonds totaling 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 totaling 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 2019 (six months ended 30 June 2018: 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 2018: Nil).

(b) Share capital

Authorised and issued share capital

	At 30 June 2019		At 31 December 2018	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**8,000,000**	**80,000**	8,000,000	80,000

Ordinary shares, issued and fully paid:

	Par value	**Number of shares**	**Nominal value of ordinary shares**	
	HK$	*'000*	*HK$'000*	*RMB'000*
At 1 January 2018, 31 December 2018 and 30 June 2019	0.01	4,014,844	40,148	31,825

There is no change in ordinary shares during the six months ended 30 June 2019.

(c) Share option scheme

In order to enable the Company to grant options to the employees of the members of the Group and any persons who have contributed to the Group at the time of granting Options (the "**Qualified Participants**") as incentives or to reward the Qualified Participants for their contribution to the growth of the Group, the Company approved and adopted the Share Option Scheme on 30 May 2019. As at the date of this interim results, the Board has not granted any Options.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure on the basis of gearing ratio. The Group defines this ratio as total interest-bearing liabilities (includes bank loans and other borrowings, senior notes, corporate bonds and lease liabilities) divided by total assets of the Group.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. The adoption of IFRS 16 does not have a significant impact on the Group's gearing ratio on 1 January 2019 when compared to its position as at 31 December 2018.

The Group's gearing ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	30 June 2019	1 January 2019 *(Note)*	31 December 2018 *(Note)*
	RMB'000	*RMB'000*	*RMB'000*
Bank loans and other borrowings	**1,316,391**	1,266,911	1,266,911
Senior notes	**1,476,802**	1,465,981	1,465,981
Corporate bonds	**261,671**	261,334	261,334
Lease liabilities	**44,797**	47,975	–
Total interest-bearing borrowings	**3,099,661**	3,042,201	2,994,226
Total assets	**14,957,892**	14,617,317	14,571,060
Gearing ratio	**20.7%**	20.8%	20.5%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 2.

18 DISPOSAL OF SUBSIDIARIES

(i) Beijing Hydoo Yingchuang Corporate Management Company Limited and Lanzhou Hydoo Yingchuang Estate Company Limited (collectively "**Yingchuang**") were previously subsidiaries of the Group. On 9 April 2019, the Group disposed its 100% equity interest in Yingchuang to an associate, Beijing Sunac Hydoo Corporate Management Company Limited ("**Sunac Hydoo**"), which was established by the Group, Beijing Sunac Construction Investment Real Estate Co., Ltd. ("**Sunac**") and Mr. Yi Jiming (collectively "**Partners**").

Pursuant to the agreement entered into among the Partners (the "**Agreement**"), the consideration of disposal of the equity interest was RMB255,390,000 (the "**Consideration**") and the amounts due to the Group held by Yingchuang about the initial land cost was RMB102,940,000. As agreed, the amounts due to the Group held by Yingchuang would be settled by Yingchuang directly. Since the Consideration of equity interest is agreed to be settled according to the development progress of the underlying projects in Yingchuang and there is no fixed repayment schedule, the Consideration receivables are measured at FVPL and discounted at the weighted average borrowing cost of the Group. As at 30 June 2019, the fair value of Consideration receivables was RMB237,114,000, in which RMB52,654,000 (note 11) was classified as non-current assets according to the expected development progress. The remaining balance of RMB184,460,000 is classified as current assets (note 13) and was recovered in July 2019.

As at 30 June 2019, among the amounts due to the Group held by Yingchuang of RMB102,940,000, RMB32,180,000 (note 11) is interest-bearing at 15% per annum and expected to be recovered in 2020. The remaining balance RMB70,760,000 was recovered in July 2019 (note 13).

Pursuant to the Agreement, if the Group failed to change the title of the certain bills related to the initial land cost to Yingchuang, the Group has to compensate Sunac the relevant future loss to be incurred. As the potential payment obligation would be measured based on future matters, it is the contingent consideration payable recorded as financial liability at FVPL of RMB32,095,000.

After the above disposal, a net gain of RMB220,663,000 was recognised during the six months ended 30 June 2019 (note 5).

The Group's assets and liabilities disposed of and net cash inflow from these disposals are analysed below:

	Note	*RMB'000*
Property, plant and equipment		523
Inventories		193,840
Trade and other receivables		52,008
Cash and cash equivalents		43
Trade and other payables		(150,818)
Amounts due to the Group		(111,240)
Net liabilities attributable to the Group		(15,644)
Gain on disposal of the subsidiaries	5	220,663
Considerations		205,019
Cash and cash equivalents disposed of		(43)
Amount due from an associate measured at FVPL	11/13	(237,114)
Contingent consideration payable		32,095
Net cash outflow		(43)

(ii) Yulin Jingde Real Estate Company Limited ("**Jingde**") was previously a subsidiary of the Group. On 29 May 2019, the Group disposed its entire equity interest in Jingde to the non-controlling shareholder, Guangxi Junjing Real Estate Company Limited. The total consideration was RMB24,480,000 and a net gain on disposal of RMB5,179,000 was recognised during the six months ended 30 June 2019 (note 5).

The Group's assets and liabilities disposed of and net cash inflow from the disposal are analysed below:

	Note	*RMB'000*
Property, plant and equipment		63
Inventories		42,208
Trade and other receivables		16,852
Cash and cash equivalents		420
Trade and other payables		(21,698)
Non-controlling interest		(18,544)
Net assets attributable to the Group		19,301
Gain on disposal of the subsidiary	5	5,179
Considerations		24,480
Cash and cash equivalents disposed of		(420)
Net cash inflow		24,060

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 28 July 2019, the Company was informed by Most Trend Holdings Limited ("**Most Trend**") that (1) Most Trend, (2) Mr. Wong Choi Hing, Mr. Wang Jianli, Mr. Wang Dekai, Mr. Huang Dehong, Mr. Wong Sheung Tak and Mr. Wang Quanguang (collectively "**Vendor Guarantors**"), (3) China Guangdong – Hong Kong Greater Bay Area Holdings Limited ("**CG-HKGBAHL**"), (4) Mr. Zeng Yunshu and Mr. Cai Hongwen (collectively "**Purchaser Guarantors**") entered into the Sale and Purchase Agreement ("**Sale and Purchase Agreement**"), pursuant to which Most Trend has conditionally agreed to sell and CG-HKGBAHL has conditionally agreed to purchase the 2,070,000,000 shares of the Company, representing approximately 51.56% of the entire issued share capital of the Company. The total cash consideration is to be HK$631,350,000. Upon completion of the Sale and Purchase Agreement, CG-HKGBAHL will be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued shares of the Company.

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 RMB633.5 million and RMB256.8 million, respectively (the revenue and gross profit for the six months ended 30 June 2018: RMB922.6 million and RMB363.8 million, respectively). Basic earnings per share for the Period was RMB0.4 cents (for the six months ended 30 June 2018: RMB0.8 cents).

MARKET AND OPERATION REVIEW

On 15 July 2019, the National Bureau of Statistics released the macroeconomic data for the PRC for the first half of the year, showing that the Gross Domestic Product grew by 6.3% year-on-year, which indicated that the economic system remained smooth running within a reasonable range and its growth momentum maintained a stable upward trend. Riding on the overall national stableness, the PRC began to experience a "rapid" transformation and upgrading of its economic system. During the first half of the year, the total retail sales of consumer goods increased by 8.4% year-on-year; the national online retail sales increased by 17.8% year-on-year and the increased consumers' spending contributed more than 60% of the economic growth, showing that the power of consumers' spending has further driven the economic growth. At the same time, the added value of high-tech manufacturing sector increased by 9.0% year-on-year for the first half of the year, representing 3.0 percentage points faster than that of the large scale industries. With more enhancement on the integration of big data, internet and artificial intelligence with the real economy, the PRC is accelerating its pace of transformation and upgrading to digitalization, networking and intelligentization.

During the first half of 2019, the property development and investment in the PRC increased by 10.9% year-on-year, representing a decrease of growth by 0.9 percentage points from the first quarter. The sale of the areas of commercial housing in the PRC decreased by 1.8%, and the sales of commercial housing in the PRC increased by 5.6% year-on-year, representing a flattish growth as compared to that of the first quarter. The general positioning of the Chinese government of "the housing is for accommodation, not for speculation" and "the policies are introduced according to cities' circumstances" remained unchanged, which placed strong emphasis on the responsibilities of the local governments. At the same time, with the tightening of bank loans, credit finance facilities and other financing channels, the provision of financing channels for property development enterprises have been restricted again.

To cope with this situation, the Group adopted a strategy to liquidate its inventory and maintain proper pace of its development to ensure a sustainable and stable growth of the

Group. During the Period, the Group recorded contracted sales of approximately RMB1,471.6 million and contracted sales area of 261,619 sq.m., representing increases of 135.7% and 138.3% respectively. The increased contracted sales were primarily in relation to the pre-sale of residential projects in Ganzhou, Jining and Wuzhou. Regarding project operations, the Group strived to speed up the turnover, integrate sales resources, capitalize the inventory assets, withdraw funds as soon as possible, reduce costs, fully evaluate policy factors, phases of project development and market demands, rationally arrange product structure and construction period, and grasp the pace of development to enhance its ability to respond to market changes.

In respect of the recurring business, during the Period, the Group's revenue from the provision of property management services amounted to approximately RMB30.4 million, representing its contribution to total revenues increasing to 4.8% from 3.4% for the corresponding period of the previous year. The revenue from rentals amounted to approximately RMB22.0 million, representing its contribution to total revenue increasing to 3.5% from 1.7% for the corresponding period of the previous year.

PROSPECTS

The current onshore and offshore economic environment has been complicated and severe, with the slowdown of global economic growth, an increase of the factors of external instability and uncertainty, the economy of the PRC faced a new round of downward pressure, and there has been a prominent imbalance and inadequacy of domestic growth. The PRC's government will continue to implement its decisions and strategies, adhere to its primary focus of stable development and promotion of structural reforms on the supply side, accelerate the process of economic reform and opening up, and optimize the business environment in pursuit of high quality development, promote independent innovation in key areas, fully mobilize the enthusiasm of various parties and drive the stable and healthy growth of the economy.

As regulatory policies for real estate industry have further been detailed and refined, real estate companies have pushed themselves to step out of their comfort zone, and the industry is facing increasing uncertainty. The tightening of the financing environment has brought a relatively large impact on the scale and the costs of financing for small and medium-real estate enterprises. The capacity for obtaining finance for various real estate enterprises will further be differentiated, and the competition landscape of the industry will also be further fragmented and intensified. The key to industrial growth lies on the realization of multi-dimensional and multi-level balance among pace of growth, risks and profits. Almost all leading real estate enterprises have chosen diversified business directions, including the integration of such themes as cultural tourism and health service elements into their property projects, and establishing a presence in high-tech industry and new energy industry.

The Group has advanced its strategic deployment of technological innovation and production-city integration. Following the Group established a strategic partnership with the Shenzhen

Industry-University Research Institute Collaboration Association to seek cooperation with outstanding high-tech enterprises in the Greater Bay Area by the end of 2018, in July 2019, the Group entered into a strategic cooperation agreement with Shenzhen Science & Industry Park Group Co., Ltd. ("**SZ Science & Technology Park Group**"). SZ Science & Technology Park Group, our partner, has a first class high-tech industrial park and one of the best operation teams in the PRC. It has rich experience and resources in operating industrial parks, soliciting leading technology enterprises, commercializing research and technological achievements, and attracting and training science and technology personnel. Both parties intend, through this strategic cooperation, to further enhance their respective integrated development and operation capabilities of their industrial parks, highlight the characteristics of new and contemporary service industry, accelerate the construction of innovative and technology-driven industrial parks, aiming to make a breakthrough in establishing mid to high end and highly competitive industry sector composition and industrial clusters.

In addition, based on the existing direction of development for trading, logistics and real estate business, the Group has been actively seeking to upgrade and enrich its business segments. In particular, we have ambitious vision on tourism, health service and real estate industry supported and promoted by national policies. Thus, on 28 July 2019, Most Trend, the controlling shareholder of the Company, and its guarantors entered into a sale and purchase agreement (the "**Agreement**") with CG-HKGBAHL and its purchaser guarantors, pursuant to which CG-HKGBAHL, a new partner, will be introduced to realize and advance the above-mentioned intentions, subject to the completion of the Agreement. CG-HKGBAHL has sufficiently competitive edges in the development and operation of cultural tourism and health service industry, together with its rich management experience and outstanding capacity in creating customer stickiness, which are in line with the Group's strategy for upgrading and enriching its business segments. The introduction of CG-HKGBAHL as the Group's partner was based on the needs of the Group's strategic development and resources sharing, and its intention to enhance its profitability and competitiveness. In addition to upgrading and optimizing its existing trading and logistics business segments, the Group's directions of future development will focus on investment in and development of cultural tourism and health service projects. In addition, notwithstanding the changes in the controlling shareholder of the Company, we anticipate that the Group's staff deployment and specific operation and management will remain relatively stable from the perspective of the development of the Group, and it is our view that CG-HKGBAHL will also take advantage on its competitive edges in cultural tourism and health service sectors, and deeply integrate such competitive edges with the existing resources of the Group to bring a promising future for 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, 29 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales Performance

During the Period, the Group recorded contracted sales of approximately RMB1,471.6 million and contracted sales area of 261,619 sq.m., representing increases of 135.7% and 138.3% respectively (six months ended 30 June 2018: approximately RMB624.3 million and 109,790 sq.m.). Given the slowdown of China's economic growth and challenging market conditions, our diversified and flexible business model enables the Group to make timely and effective adjustments to sales and operations portfolios according to different development stages of the projects and market needs of different regions. In order to meet the increasing amount of project activities, the Group has strengthened the provision of ancillary services, such as residential units, serviced apartments and certain supporting buildings and facilities. The increased contracted sales during the Period were primarily in relation to the pre-sale of residence for projects in Ganzhou, Jining and Wuzhou.

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

	For the six months ended 30 June					
	2019			2018		
	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						
Residence	**51,572**	**5,952**	**306,974**	2,005	4,301	8,623
Wholesale trading market units	**21,466**	**4,133**	**88,712**	5,567	4,111	22,887
Ganzhou Trade Center						
Residence	**52,120**	**7,001**	**364,870**	318	4,292	1,365
Wholesale trading market units	**418**	**10,455**	**4,370**	2,058	9,499	19,548
Yulin Trade Center						
Wholesale trading market units	**25,580**	**4,889**	**125,057**	17,721	4,809	85,227
Shopping mall	**10,257**	**4,192**	**43,000**	–	–	–
Lanzhou Trade Center						
Wholesale trading market units	**30,007**	**4,634**	**139,057**	26,034	4,846	126,160
Wuzhou Trade Center						
Residence	**22,237**	**4,553**	**101,234**	–	–	–
Wholesale trading market units	**8,058**	**4,160**	**33,520**	10,537	4,458	46,972

	For the six months ended 30 June					
	2019			2018		
	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)					
Heze Trade Center						
Wholesale trading market units	**17,190**	**5,634**	**96,856**	10,540	3,946	41,590
Yantai Trade Center						
Serviced apartments	**4,907**	**9,546**	**46,840**	–	–	–
Wholesale trading market units	**6,777**	**5,921**	**40,130**	1,498	6,108	9,150
Liuzhou Trade Center						
Wholesale trading market units	**7,391**	**7,892**	**58,333**	28,420	8,203	233,127
Mianyang Trade Center						
Wholesale trading market units	**3,639**	**6,220**	**22,634**	4,297	6,197	26,628
Ningxiang Trade Center						
Serviced apartments	**–**	**–**	**–**	795	3,766	2,994
Total	**261,619**	**5,625**	**1,471,587**	109,790	5,686	624,271

Land Bank

As of 30 June 2019, we had a total land bank of 7.9 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 GFA of completed properties** *(sq.m.)*	**Total GFA of properties delivered as of 30/06/2019** *(sq.m.)*	**Undelivered saleable GFA of completed properties as of 30/06/2019** *(sq.m.)*	**Estimated GFA of properties under development** *(sq.m.)*	**Estimated GFA of properties planned for future development** *(sq.m.)*	**Land bank** *(sq.m.)*
Ganzhou Trade Center	998,863	923,890	639,335	284,555	110,514	2,054,043	2,449,112
Lanzhou Trade Center	585,165	512,310	291,812	220,498	108,553	1,745,548	2,074,599
Wuzhou Trade Center	452,759	405,168	271,603	133,565	158,301	553,348	845,214
Jining Trade Center	800,844	755,338	645,157	110,181	259,938	308,822	678,941
Heze Trade Center	301,846	284,104	186,224	97,880	84,736	308,111	490,727
Jiamusi Trade Center	6,344	6,344	–	6,344	–	449,038	455,382
Yulin Trade Center	432,680	357,721	268,496	89,225	123,978	110,895	324,098
Yantai Trade Center	141,040	127,524	52,708	74,816	127,253	–	202,069
Ningxiang Trade Center	382,842	374,948	292,624	82,324	61,518	–	143,842
Liuzhou Trade Center	188,168	188,168	167,283	20,885	–	112,093	132,978
Mianyang Trade Center	511,435	437,880	400,819	37,061	–	80,321	117,382
Haode Yinzuo	48,650	48,650	39,833	8,817	–	–	8,817
Total	4,850,636	4,422,045	3,255,894	1,166,151	1,034,791	5,722,219	7,923,161

OUR PROJECTS

Ganzhou Trade Center

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

Ganzhou Trade Center covers a net land area of approximately 1.5 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 2019, we had acquired all the land-use rights for this trade center project.

As of 30 June 2019, for this trade center project, we had completed the construction of the wholesale trading markets, shopping malls, a food street, residential areas, warehouses, 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.

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 Qinglan 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 sq.m which is expected to be developed at least in two phases. As of 30 June 2019, we had acquired land-use rights encompassing a total site area of approximately 1.5 million sq.m. with a total GFA of approximately 2.4 million sq.m. upon completion.

As of 30 June 2019, for this trade center project, we had completed the construction of the wholesale trading markets and a commercial pedestrian street. We were constructing an additional wholesale trading market. As part of our future development plan, we are planning to construct residential areas, warehouses and additional shopping malls and wholesale trading markets.

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 2019, 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 GFA of approximately 1.2 million sq.m. upon full completion of Phase I development.

As of 30 June 2019, 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. 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 30 June 2019, 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 30 June 2019, for this trade center project, we had completed the construction of wholesale trading markets, shopping malls, a hotel, an office building, a commercial center and residential areas, and were constructing a shopping mall and residential areas. As part of our future development plan, we are planning to construct warehouses, 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 30 June 2019, we had acquired land-use rights for all of Phase I and a portion of Phase II encompassing a total site area of approximately 0.6 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 30 June 2019, for this trade center project, 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.

As of 30 June 2019, for this trade center project, 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. 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 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 2019, we had acquired land-use rights for all of Phase I, Phase II and Phase III encompassing a total site area of approximately 0.5 million sq.m. with a total planned GFA of approximately 0.7 million sq.m. upon full completion of Phase I, Phase II and Phase III development.

As of 30 June 2019, 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 serviced apartments and an additional wholesale trading market.

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 2019, 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 30 June 2019, for this trade center project, 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.

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 2019 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 30 June 2019, 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.

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 2019, 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 30 June 2019, for this trade center project, we had completed the construction of wholesale trading markets. As part of our future development plan, we are planning to construct additional wholesale trading markets, office buildings, hotels, serviced apartments, warehouses and certain supporting buildings and facilities.

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 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 30 June 2019, we had acquired all the land-use rights for this trade center project.

As of 30 June 2019, 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 decreased by RMB289.1 million, or 31.3 %, from RMB922.6 million for the six months ended 30 June 2018 to RMB633.5 million for the Period. This decrease was primarily caused by the decrease 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			
	2019		2018	
	(RMB'000)	**%**	*(RMB'000)*	%
Sales of properties	**566,436**	**89.4**	862,010	93.4
Property management services	**30,391**	**4.8**	31,409	3.4
Rental income	**22,039**	**3.5**	15,395	1.7
Others	**14,586**	**2.3**	13,805	1.5
Total	**633,452**	**100.0**	922,619	100.0

Sales of Properties

Revenue from sales of properties decreased by RMB295.6 million, or 34.3% from RMB862.0 million for the six months ended 30 June 2018 to RMB566.4 million for the Period. The decrease of the sales of properties was mainly due to the decrease in GFA of properties sold, and decrease in the average sales price of properties sold. The GFA of properties sold decreased by 39,273 sq.m., or 28.2%, from 139,257 sq.m. for the six months ended 30 June 2018 to 99,984 sq.m. for the Period. The average sales price decreased by RMB525 per sq.m., or 8.5%, from RMB6,190 per sq.m. for the six months ended 30 June 2018 to RMB5,665 per sq.m. for the Period. Our revenue from the sales of properties for the Period was primarily derived from the sales at our Liuzhou Trade Center, Yulin Trade Center, Lanzhou Trade Center and Yantai Trade Center.

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

	For the six months ended 30 June					
	2019			2018		
	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	**35,790**	**7,478**	**267,624**	45,328	7,913	358,680
Subtotal	**35,790**	**7,478**	**267,624**	45,328	7,913	358,680
Yulin Trade Center						
Wholesale trading market units	**14,677**	**4,709**	**69,113**	4,872	6,320	30,791
Shopping mall	**2,768**	**4,990**	**13,813**	–	–	–
Subtotal	**17,445**	**4,754**	**82,926**	4,872	6,320	30,791
Lanzhou Trade Center						
Wholesale trading market units	**9,543**	**4,929**	**47,035**	51,967	5,660	294,142
Subtotal	**9,543**	**4,929**	**47,035**	51,967	5,660	294,142
Yantai Trade Center						
Wholesale trading market units	**7,066**	**5,547**	**39,193**	4,751	5,765	27,389
Subtotal	**7,066**	**5,547**	**39,193**	4,751	5,765	27,389

	For the six months ended 30 June					
	2019			2018		
	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)					
Heze Trade Center						
Wholesale trading market units	**6,926**	**3,962**	**27,443**	9,339	4,002	37,373
Subtotal	**6,926**	**3,962**	**27,443**	9,339	4,002	37,373
Mianyang Trade Center						
Wholesale trading market units	**4,317**	**6,007**	**25,933**	5,184	6,173	32,003
Subtotal	**4,317**	**6,007**	**25,933**	5,184	6,173	32,003
Jining Trade Center						
Wholesale trading market units	**6,676**	**3,809**	**25,427**	1,641	4,079	6,694
Residence	**–**	**–**	**–**	931	3,495	3,254
Subtotal	**6,676**	**3,809**	**25,427**	2,572	3,868	9,948
Ganzhou Trade Center						
Residence	**1,293**	**9,193**	**11,886**	–	–	–
Wholesale trading market units	**901**	**8,128**	**7,323**	2,224	6,500	14,456
Subtotal	**2,194**	**8,755**	**19,209**	2,224	6,500	14,456
Wuzhou Trade Center						
Wholesale trading market units	**4,260**	**4,101**	**17,470**	12,312	4,465	54,970
Subtotal	**4,260**	**4,101**	**17,470**	12,312	4,465	54,970
Ningxiang Trade Center						
Serviced apartments	**5,767**	**2,458**	**14,176**	708	3,189	2,258
Subtotal	**5,767**	**2,458**	**14,176**	708	3,189	2,258
Total	**99,984**	**5,665**	**566,436**	139,257	6,190	862,010

Property Management Services

Revenue from property management services decreased by RMB1.0 million, or 3.2%, from RMB31.4 million for the six months ended 30 June 2018 to RMB30.4 million for the Period.

Rental Income

Rental income increased by RMB6.6 million, or 42.9%, from RMB15.4 million for the six months ended 30 June 2018 to RMB22.0 million for the Period. The increase was primarily due to the increase in leasing area during the Period.

Gross Profit and Margin

As a result of the foregoing, the gross profit decreased by RMB107.0 million, or 29.4%, from RMB363.8 million for the six months ended 30 June 2018 to RMB256.8 million for the Period. The decrease was in line with the decrease in sales of properties during the Period. Our gross profit margin increased slightly from 39.4% for the six months ended 30 June 2018 to 40.5% for the Period.

Other Income

Other income increased by RMB163.9 million, or 211.2%, from RMB77.6 million for the six months ended 30 June 2018 to RMB241.5 million for the Period. The increase was mainly due to that the net gain on disposal of subsidiaries increased from RMB6.6 million for the six months ended 30 June 2018 to RMB225.8 million for the Period.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB12.9 million, or 31.5 %, from RMB41.0 million for the six months ended 30 June 2018 to RMB53.9 million for the Period. The increase was mainly due to the increase in promotion and marketing activities for pre-sale of the Group's properties during the Period.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by RMB20.6 million, or 9.5%, from RMB217.1 million for the six months ended 30 June 2018 to RMB237.7 million for the Period. The increase primarily reflected the increased staff costs during the Period.

Impairment Loss On Trade and Other Receivables

The impairment loss on trade and other receivables increased by RMB7.9 million or 56.8%, from RMB13.9 million for the six months ended 30 June 2018 to RMB21.8 million for the Period. The amount reflected the expected credit loss recognised for financial assets measured at amortised cost during the Period.

Fair Value Gain on Investment Properties

The Group's investment properties carried at fair value were revalued as at 30 June 2019 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.

During the six months ended 30 June 2019, a gain on fair value of RMB30,669,000 (six months ended 30 June 2018: RMB10,039,000) in respect of existing investment properties, with the total corresponding deferred tax of RMB7,297,000 (six months ended 30 June 2018: RMB2,339,000) had been recognised in the consolidated statement of profit or loss for the period.

During the six months ended 30 June 2018, a gain on fair value of RMB135,233,000 in respect of transfer of inventory to investment properties, with corresponding deferred tax of RMB33,808,000, has been recognised in the consolidated statement of profit or loss. No such transfer incurred during the six months ended 30 June 2019.

Finance Income

Our finance income increased by RMB8.0 million, or 65.6%, from RMB12.2 million for the six months ended 30 June 2018 to RMB20.2 million for the Period. The increase reflected an increase in interest income from interest bearing receivables during the Period.

Finance Costs

Our finance costs decreased by RMB44.4 million, or 25.8%, from RMB172.0 million for the six months ended 30 June 2018 to RMB127.6 million for the Period. The decrease was primarily due to the decrease in the interest on senior notes during the Period.

Income Tax

Our income tax expense decreased by RMB24.7 million, or 21.0%, from RMB117.6 million for the six months ended 30 June 2018 to RMB92.9 million for the Period. Such decrease was primarily due to the effect of the decrease in deferred tax expenses and the PRC land appreciation tax partly offset by the increase in PRC corporate income 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 RMB25.2 million, or 71.2%, from RMB35.4 million for the six months ended 30 June 2018 to RMB10.2 million for the Period. Our profit attributable to equity shareholders of the Company decreased by RMB14.6 million, or 47.9%, from RMB30.5 million for the six months ended 30 June 2018 to RMB15.9 million for the Period.

Interest in Joint Ventures

As at 30 June 2019, the Group's interest in Hydoo Best amounted to RMB126,200,000 (31 December 2018: RMB126,200,000).

In 2018, Hydoo Best was unable to get reimbursement of the cost of certain pieces of land which have to be returned to the original vendor by the order of the court. In addition, the joint venture partner of Hydoo Best was obligated to repurchase certain shares in Hydoo Best held by the Group but failed to do so within the specified time frame. This resulted in a loss on the interest in Hydoo Best held by the Group.

The directors expect that the Group will be able to recover part of its interest in Hydoo Best by obtaining the land pieces still held by Hydoo Best based on the legal opinion obtained from an external legal counsel. With reference to the fair value of these land pieces which were assessed by the Group's directors based on a valuation report prepared by external valuers, considering the Group has made a provision for impairment loss of RMB19,752,000 on the interest in Hydoo Best and a specific loss allowance of RMB19,613,000 on the amount due from that joint venture in 2018, no further provision for impairment loss is made during the six months ended 30 June 2019.

Pledged and Restricted Cash

Pledged and restricted cash amounted to RMB685.4 million as of 30 June 2019 compared to RMB585.6 million 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 Initial Public Offering, 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 2019 *(RMB'000)*	At 31 December 2018 *(RMB'000)*
Current		
Secured		
– short-term bank loans and other borrowings	**3,000**	–
– current portion of non-current bank loans and other borrowings	**615,680**	472,661
Unsecured		
– short-term bank loans and other borrowings	**–**	15,000
Subtotal	**618,680**	487,661
Non-current		
Secured		
– repayable after 1 year but within 2 years	**260,550**	498,750
– repayable after 2 years but within 5 years	**408,032**	223,250
– repayable after 5 years	**28,129**	56,250
Unsecured		
– repayable after 1 year but within 2 years	**1,000**	1,000
Subtotal	**697,711**	779,250
Total	**1,316,391**	1,266,911

Bank loans and other borrowings bear interest rates ranging from 4.90% to 9.60% per annum for the Period (31 December 2018: 2.12% to 9.60%) and are secured by the following assets:

	30 June 2019 *(RMB'000)*	31 December 2018 *(RMB'000)*
Properties held for future development for sale	**1,149,050**	441,523
Completed properties held for sale	**789,379**	712,045
Investment Properties	**688,300**	683,900
Properties under development for sale	**609,414**	214,354
Property, plant and equipment	**352,045**	357,053
Total	**3,588,188**	2,408,875

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 2019, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,428.0 million (31 December 2018: RMB2,204.5 million).

Commitments

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

	At 30 June 2019 *(RMB'000)*	At 31 December 2018 *(RMB'000)*
Construction and development contracts	**1,889,598**	2,050,974

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 2019	At 31 December 2018
Current ratio [(1)]	**1.5**	1.5
Gearing ratio [(2)]	**20.7%**	20.5%
Net gearing ratio [(3)]	**25.7%**	24.4%

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, corporate bonds and lease liabilities) 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, corporate bonds and lease liabilities, 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 and the overseas notes issued are 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

During the Period, the Group disposed its 100% equity interest in Beijing Hydoo Yingchuang Corporate Management Company Limited and Lanzhou Hydoo Yingchuang Estate Company Limited (collectively "**Yingchuang**") to an associate, Beijing Sunac Hydoo Corporate Management Company Limited, of the Group. And the Group also disposed its entire equity interest in Yulin Jingde Real Estate Company Limited to the non-controlling shareholder, Guangxi Junjing Real Estate Company Limited, of the Group. The above disposals generated a net gain on disposal of subsidiaries of RMB225,842,000. For details, please refer to note 5 and note 18 to the unaudited interim financial information.

Restriction on Sales

As of 30 June 2019, 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 2019, the Group had a workforce of 1,047 people. The number of staff had decreased by 2.5% since 31 December 2018. The total employee benefit expenses for the Period amounted to RMB134.9 million, increased by 13.6% (six months ended 30 June 2018: RMB118.8 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 30 May 2019, the Company has approved and adopted a share option scheme for its directors and employees.

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 27 December 2018. 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 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 senior notes will primarily be 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 25 August 2016, 6 September 2017 and 18 September 2017 for details on the 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 13.75% Senior Notes Due 2018 (the "**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. The 2020 Senior Notes are listed and traded on The Singapore Exchange Securities Trading Limited.

The proceeds of the 2020 Senior Notes was primarily used for the repayment of debts including the redemption of the 2018 Senior Notes and financing 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 announcements dated 2 December 2015, 8 December 2015, 17 December 2015, 8 September 2016, 18 September 2016, 6 September 2017, 18 September 2017, 24 April 2018, 25 April 2018, 3 May 2018, 10 May 2018 and 17 December 2018 for details on the 2018 Senior Notes.

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.

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 was primarily 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.

EVENTS AFTER THE REPORTING PERIOD

Possible Mandatory Unconditional Cash Offer

On 28 July 2019, Most Trend Holdings Limited (the "**Vendor**"), the vendor guarantors, the China Guangdong – Hong Kong Greater Bay Area Holdings Limited (the "**Offeror**") and the purchaser guarantors entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which the Vendor has conditionally agreed to sell and the Offeror has conditionally agreed to purchase 2,070,000,000 shares, representing approximately 51.56% of the entire issued share capital of the Company at a total cash consideration of HK$631,350,000 (equivalent to HK$0.305 per share).

The completion is expected to take place after all conditions precedent under the Sale and Purchase Agreement being satisfied or (where applicable) waived in full. After the completion, the Offeror and parties acting in concert with it will own an aggregate of 2,070,000,000 shares, representing approximately 51.56% of the total issued share capital of the Company. And upon the completion, the Offeror will be required under Rule 26.1 of The Codes on Takeovers and Mergers and Share Buybacks published by the Securities and Futures Commission to make a mandatory unconditional cash offer for all the issued shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

For more details, please refer to the joint announcement of the Company and the Offeror dated 13 August 2019.

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 2019 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, 29 August 2019

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. Lam Chi Yuen Nelson and Mr. Yue Zheng.