Hydoo® 毅德控股

HYDOO INTERNATIONAL HOLDING LIMITED
毅 德 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1396)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 ("**FY2019**" or the "**Year**") with comparative figures for the preceding financial year ended 31 December 2018 ("**FY2018**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019**	2018 *(Note)*
		RMB'000	*RMB'000*
Revenue	2	**1,583,308**	2,842,202
Cost of sales		**(1,010,428)**	(1,699,285)
Gross profit		**572,880**	1,142,917
Other income	3	**203,689**	92,360
Selling and distribution costs		**(116,374)**	(110,978)
Administrative and other operating expenses		**(520,524)**	(436,806)
Impairment loss on financial assets measured at amortisation cost	4(c)	**(21,258)**	(46,640)
Profit from operations before fair value (loss)/gain on investment properties		**118,413**	640,853
Fair value (loss)/gain on investment properties	7	**(77,454)**	100,634
Profit from operation after fair value (loss)/ gain on investment properties		**40,959**	741,487
Share of loss of an associate		**(1,253)**	(880)
Share of losses of joint ventures		**(3,507)**	(19,904)
Finance income	4(a)	**47,781**	35,287
Finance costs	4(a)	**(228,341)**	(339,370)
(Loss)/profit before taxation	4	**(144,361)**	416,620
Income tax	5(a)	**(132,924)**	(306,733)
(Loss)/profit for the year		**(277,285)**	109,887
Attributable to:			
Equity shareholders of the Company		**(271,221)**	106,995
Non-controlling interests		**(6,064)**	2,892
(Loss)/profit for the year		**(277,285)**	109,887
(Loss)/earnings per share			
Basic and diluted *(RMB cents)*	6	**(6.8)**	2.7

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019
(Expressed in Renminbi)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(277,285)**	109,887
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	**(33,955)**	(62,927)
Other comprehensive income for the year	**(33,955)**	(62,927)
Total comprehensive income for the year	**(311,240)**	46,960
Attributable to:		
Equity shareholders of the Company	**(305,176)**	44,068
Non-controlling interests	**(6,064)**	2,892
Total comprehensive income for the year	**(311,240)**	46,960

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

(Expressed in Renminbi)

	Note	**2019**	2018 *(Note)*
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**422,442**	441,210
Investment properties	7	**2,584,100**	2,623,137
Intangible assets		**16,497**	17,634
Goodwill		**2,252**	2,252
Interest in an associate		**–**	2,820
Interest in joint ventures		**134,783**	132,672
Deferred tax assets		**169,345**	157,568
Finance lease receivable		**15,692**	27,394
Other non-current assets		**404,818**	121,003
		3,749,929	3,525,690
Current assets			
Inventories and other contract costs		**7,383,731**	7,484,547
Prepaid tax		**165,086**	53,354
Other financial assets		**11,140**	–
Trade and other receivables	8	**1,361,689**	1,772,278
Pledged and restricted cash		**606,043**	585,583
Cash and cash equivalents		**1,571,204**	1,123,145
		11,098,893	11,018,907
Investment properties classified as held for sale	7	**–**	26,463
		11,098,893	11,045,370
Current liabilities			
Trade and other payables	9	**2,367,860**	2,923,528
Contract liabilities		**2,989,327**	1,843,463
Bank loans and other borrowings		**505,462**	487,661
Lease liabilities		**8,972**	–
Senior notes	10	**314,220**	411,311
Corporate bonds	11	**259,700**	261,334
Current tax liabilities		**695,220**	803,651
Deferred income		**479,160**	623,296
		7,619,921	7,354,244

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2019
(Expressed in Renminbi)

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
Net current assets		**3,478,972**	3,691,126
Total assets less current liabilities		**7,228,901**	7,216,816
Non-current liabilities			
Bank loans and other borrowings		**728,221**	779,250
Lease liabilities		**33,112**	–
Senior notes	10	**1,338,799**	1,054,670
Deferred income		**–**	653
Deferred tax liabilities		**108,924**	103,349
Other financial liability		**70,838**	–
		2,279,894	1,937,922
NET ASSETS		**4,949,007**	5,278,894
Capital and reserves			
Share capital		**31,825**	31,825
Reserves		**4,900,927**	5,207,006
Total equity attributable to equity shareholders of the Company		**4,932,752**	5,238,831
Non-controlling interests		**16,255**	40,063
TOTAL EQUITY		**4,949,007**	5,278,894

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the 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 2019 and 2018 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 2019 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;
- other investments in debt and equity securities and amounts due from an associate (non-current);
- derivative financial instruments;
- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest; and
- other financial liabilities.

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 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. 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.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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.

2 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are development, sales and operation of commercial trade and logistics centers 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:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of properties	**1,422,946**	2,712,484
– Property management services	**63,588**	57,458
– Others	**40,620**	32,537
	1,527,154	2,802,479
Revenue from other sources		
– Gross rental income from investment properties	**13,964**	15,927
– Other rental income	**42,190**	23,796
	56,154	39,723
	1,583,308	2,842,202

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

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

	2019	2018
	RMB'000	*RMB'000*
Net gain on disposal of subsidiaries (i)	**187,099**	6,570
Net realised and unrealised fair value gain from financial assets measured at fair value through profit and loss ("**FVPL**")	**18,924**	49,529
Net gain on disposal of property, plant and equipment	**2,125**	164
Net loss on disposal of investment property and investment properties classified as held for sale	**(12,752)**	–
Government grants (ii)	**1,717**	31,798
Others	**6,576**	4,299
	203,689	92,360

(i) In 2019, the Group disposed its 100% equity interest in Beijing Hydoo Yingchuang Corporate Management Company Limited (北京毅德盈創企業管理有限公司) and Lanzhou Hydoo Yingchuang Estate Company Limited (蘭州毅德盈創置業有限公司) (collectively "**Yingchuang**") to an associate, Beijing Sunac Hydoo Corporate Management Company Limited (北京融創毅德企業管理有限公司). A net gain of RMB181,920,000 was resulted from such disposal. Lanzhou

Hydoo Yingchuang Estate Company Limited（蘭州毅德盈創置業有限公司）is a direct wholly owned subsidiary of Beijing Hydoo Yingchuang Corporate Management Company Limited（北京毅德盈創企業管理有限公司）.

In 2019, the Group disposed its entire equity interest in Yulin Jingde Real Estate Company Limited (玉林景德房地產開發有限公司) to the non-controlling shareholder, Guangxi Junjing Real Estate Company Limited (廣西駿景房地產開發有限公司). A net gain of RMB5,179,000 was resulted from such disposal.

(ii) In 2018, the Group has transferred certain properties under development for sale to investment properties (note 7). The related government grants of RMB29,601,000 previously recorded as deferred income were recognised in profit or loss as other income. During this year, there is no transfer from inventory to investment properties.

4 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs:

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**(12,785)**	(16,186)
Other interest income	**(30,270)**	(19,101)
	(43,055)	(35,287)
Net foreign exchange gain	**(4,726)**	–
	(47,781)	(35,287)
Finance costs		
Interest on bank loans and other borrowings	**121,515**	142,656
Interest on corporate bonds	**21,009**	21,583
Interest on senior notes	**172,361**	248,560
Interest on lease liabilities	**3,934**	–
Accrued interest on significant financing component of contract liabilities	**48,822**	16,497
	367,641	429,296
Less: interest expense capitalised into properties under development *	**(139,300)**	(105,712)
	228,341	323,584
Net foreign exchange loss	**–**	15,786
	228,341	339,370

* The borrowing costs have been capitalised at rates ranging from 4.99% – 9.60% per annum (2018: 5.15% – 9.60%).

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

(b) Staff costs:

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**251,323**	217,536
Contributions to defined contribution retirement plans	**9,688**	10,683
	261,011	228,219

(c) Other items:

	2019	2018
		Note(i)
	RMB'000	*RMB'000*
Depreciation and amortisation		
– plant and equipment	**23,630**	14,823
– right-of-use assets	**14,031**	12,170
– intangible assets	**2,218**	2,042
	39,879	29,035
Total minimum lease payments for leases previously classified as operating leases under IAS 17 (i)	**–**	18,670
Impairment losses provided/(reversed)		
– trade and other receivables	**17,683**	33,634
– finance lease receivables	**(183)**	13,006
– loans to the third parties	**3,758**	–
	21,258	46,640
Rentals income from investment properties less direct outgoings of nil (2018: RMB8,362,000)	**13,964**	7,565
Cost of properties sold (ii)	**931,331**	1,621,033

Note:

(i) The Group has initially applied IFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight–line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

(ii) Cost of properties sold is after netting off of utilisation of deferred income in respect of government grants of RMB237,221,000 for the year ended 31 December 2019 (2018: RMB160,230,000).

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**PRC CIT**") (iii)	**86,100**	167,990
PRC Land Appreciation Tax ("**PRC LAT**") (iv)	**53,026**	122,542
	139,126	290,532
Deferred tax		
Origination and reversal of temporary differences	**(6,202)**	16,201
	132,924	306,733

(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 (2018: 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 Center**") 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 Center Development Co., Ltd. ("**Wuzhou Trade Center**") 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 (loss)/profit at applicable tax rates:

	2019	2018
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(144,361)**	416,620
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the countries concerned	**31,891**	191,223
Tax effect of non-deductible expenses	**4,815**	4,754
Tax effect of non-taxable income	**(4,026)**	(2,098)
Tax effect of unused tax losses not recognised	**59,038**	29,077
Tax effect of temporary differences not recognised	**975**	3,504
Utilisation of previously unrecognised tax losses	**(1,655)**	(6,224)
PRC LAT *(note 5(a)(iv))*	**53,026**	122,542
Tax effect on PRC LAT	**(12,589)**	(29,299)
Tax concessions *(note 5(a)(iii))*	**1,449**	(6,746)
Total income tax	**132,924**	306,733

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB271,221,000 (2018: gain of RMB106,995,000) and the weighted average of 4,014,844,000 ordinary shares (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 in 2019.

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*	Other properties leased for own use carried at fair value *RMB'000*	Total *RMB'000*
At 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
Impact on initial application of IFRS 16 *(Note)*	–	–	41,000	41,000
At 1 January 2019	**2,235,544**	**387,593**	**41,000**	**2,664,137**
Additions	**–**	**25,354**	**–**	**25,354**
Fair value adjustments	**(54,407)**	**(11,747)**	**(11,300)**	**(77,454)**
Disposals	**(27,937)**	**–**	**–**	**(27,937)**
Transfer upon completion	**401,200**	**(401,200)**	**–**	**–**
At 31 December 2019	**2,554,400**	**–**	**29,700**	**2,584,100**
Representing				
Valuation – 2019	**2,554,400**	**–**	**29,700**	**2,584,100**
Valuation – 2018	2,235,544	387,593	–	2,623,137
Book value				
At 31 December 2019	**2,554,400**	**–**	**29,700**	**2,584,100**
At 31 December 2018	2,235,544	387,593	–	2,623,137

Note: 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. See note 1(c).

(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 and 1 January 2019	**26,463**
Disposals	**(26,463)**
At 31 December 2019	**–**
Book value	
At 31 December 2019	**–**
At 31 December 2018	26,463

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 RMB688,300,000 (31 December 2018: RMB683,900,000).

8 TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables (a)	**243,289**	243,070
Less: loss allowance	**(6,322)**	(2,691)
	236,967	240,379
Finance lease receivables	**71,302**	70,058
Less: loss allowance	**(12,474)**	(12,450)
	58,828	57,608
Amount due from joint ventures (c)	**41,013**	19,613
Less: loss allowance	**(19,613)**	(19,613)
	21,400	–
Amount due from an associate	**–**	4,000
Other debtors, net of loss allowance (b)	**119,210**	344,855
Financial assets measured at amortised cost	**436,405**	642,842
Prepaid sales related tax and other taxes	**281,940**	139,199
Deposits and prepayments (d)	**643,344**	990,237
	1,361,689	1,772,278

(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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**18,483**	214,980
1 to 3 months	**11,588**	14,544
3 to 6 months	**3,207**	4,056
Over 6 months *(note)*	**203,689**	6,799
	236,967	240,379

Note: As at 31 December 2019, included in the trade receivables was RMB210,011,000, net of provision for loss allowance of RMB6,322,000 which was aged over one year and mainly due from a government authority.

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 loans provided by the Group to the third parties of RMB51,225,000 (2018: RMB76,500,000), which are interest-bearing from 10% to 36% (2018: 8% to 36%) per annum, unsecured and to be recovered within one year.

(c) The amounts due from joint ventures are unsecured, interest–free and have no fixed repayment terms. The Group has fully provided loss allowance on the amount due from Thailand Joint Venture amounted to RMB19,613,000 in 2018.

(d) The balance included prepayments and deposits for purchase of leasehold land of RMB416,484,000 (2018: RMB644,783,000).

9 TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bills payables (i)	**1,569,041**	2,007,677
Other payables and accruals	**632,461**	731,424
Financial liabilities measured at amortised cost	**2,201,502**	2,739,101
Deposits (ii)	**163,254**	175,956
Receipts in advance	**3,104**	8,471
	2,367,860	2,923,528

(i) 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:

	2019	2018
	RMB'000	*RMB'000*
Due within 1 month or on demand	**232,775**	293,081
Due after 1 month but within 3 months	**171,324**	208,607
Due after 3 months but within 6 months	**531,301**	322,785
Due after 6 months	**633,641**	1,183,204
	1,569,041	2,007,677

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 2019, included in trade payables are retention payables of RMB294,808,000 (2018: RMB300,137,000), which are expected to be settled after more than one year.

(ii) At 31 December 2019, deposits of RMB34,487,000 (2018: RMB34,888,000) 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

	2019	2018
	RMB'000	*RMB'000*
Current		
US$60 million senior notes due in 2019(i)	**–**	411,311
US$157 million senior notes due in 2020		
– Tranche 1 (ii)	**260,272**	–
– Tranche 2 (iii)	**53,948**	–
	314,220	411,311
Non-current		
US$157 million senior notes due in 2020		
– Tranche 1 (ii)	**–**	873,225
– Tranche 2 (iii)	**–**	181,445
US$194 million senior notes due in 2021 (iv)	**1,338,799**	–
	1,338,799	1,054,670
	1,653,019	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 was 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. The senior notes was due on 30 August 2019 and the Company had redeemed all these senior notes on maturity on 30 August 2019.

(ii) On 24 April 2018, the Company offered its 12% senior notes due May 2020 in an exchange offer to existing holders of the 13.75% senior notes with the principal amount of US$160,000,000 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 deducting the transaction costs, of US$25,112,000 (equivalent to RMB159,826,000) 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$27,065,000 (equivalent to RMB186,605,000) 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. On 19 December 2019, US$111,673,000 (equivalent to RMB781,934,000) of the 2020 Senior Notes was validly tendered for exchange and accepted for the 2021 Senior Notes (as defined below) as further elaborated in the below note (iv). As a result of the completion of this exchange offer, there was an outstanding principal amount of US$45,327,000 (equivalent to RMB317,380,000) 2020 Senior Notes.

(iv) On 12 December 2019, the Company offered its 14% senior notes due December 2021 in an exchange offer to existing holders of 2020 Senior Notes. US$111,673,000 (approximately 71.1%) of the 2020 Senior Notes were successfully exchanged. Concurrently with the exchange offer, the Company made a concurrent new issue of US$81,827,000 of additional 2021 senior notes, which, together with the US$111,673,000 of the 2021 senior notes issued pursuant to the exchange offer, constitute an aggregate principal amount of US$193,500,000, 14% due 2021 senior notes (the "**2021 Senior Notes**"). The exchange offer and the concurrent new issue were completed on 19 December 2019, and the net proceeds from the new issue, after deducting the transaction costs, of US$80,214,000 (equivalent to RMB561,661,000) was received by the Company on 20 December 2019. Interest expense on the 2021 Senior Notes is calculated using effective interest rate of 14.49% per annum.

11 CORPORATE BONDS

	2019	2018
	RMB'000	*RMB'000*
HK$11.5 million corporate bonds (i)	**–**	2,944
RMB260 million corporate bonds (ii)	**259,700**	258,390
	259,700	261,334

(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. The corporate bonds were fully redeemed by the end of August 2019.

(iii) 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. The corporate bonds will be redeemed by April 2020.

12 DIVIDENDS

For the year ended 31 December 2019, no final dividend in respect of the previous financial year was approved and paid (2018: Nil).

Subsequent to the end of reporting period, no final dividend is proposed (2018: Nil).

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of Board of Hydoo International Holding Limited, I hereby present the annual results of the Group for FY2019.

FINANCIAL RESULTS

During the Year, the Group's revenue and gross profit amounted to approximately RMB1,583.3 million and RMB572.9 million respectively (the revenue and gross profit for FY2018: RMB2,842.2 million and RMB1,142.9 million, respectively). The Group recorded contracted sales of approximately RMB 2,805.5 million, substantially the same as that for the previous year, among which, the sales of the existing commercial assets of the Group in Yulin, Lanzhou, Heze, Jinning and Liuzhou achieved satisfactory results. In addition, the residential projects of the Group in Ganzhou, Jining and Wuzhou were offered for sales in an orderly manner, providing strong support for its contracted sales results.

MARKET AND OPERATION REVIEW

In 2019, against the backdrop of complicated and severe external environment and the increasing downward pressure on the domestic economy, the People's Republic of China ("**PRC**") government has further strengthened the conversion period adjustments and adopted measures to "stabilize the financial system, stabilize the employment rate, stabilize the foreign trade, stabilize the foreign investment, stabilize the expectation, and stabilize the investment" resulting in a smooth operation of the overall economy. The PRC's Gross Domestic Product ("**GDP**") amounted to approximately RMB100 trillion, up 6.1% year on year, with the growth rate falling by 0.5%, which continued the slowdown trend of growth rate. Consumer spending contributed 57.8% to the economic growth, which has been the main driving force for economic growth for six consecutive years. The high growth rate of new industries such as strategic new industry and high-tech industry have been maintained, which has become an important driver for maintaining a stable economic growth.

Facing the structural adjustment to the domestic economy and the increasingly strengthened financial reform efforts, in particular, the continued downward movement of the real estate market and the significant impact brought from various emerging industries such as e-commerce on the trading industry, the Group has been proactively seeking solutions for this and successfully attracted a new strategic shareholder, China Guangdong – Hong Kong Greater Bay Area Holdings Limited ("**Greater Bay Area Holdings**"), which has strong competitive edges and extensive experience in development and operation of cultural tourism and health care service sector and urban renewal, to promote the reform, innovation and growth of the Company.

After the introduction of a new shareholder, the management of the Company adopted a number of measures to strengthen its guidances to the Company's employees and implemented high standards of management practice in all aspects of the Group's operations, and thus satisfactory results have been achieved. With regard to the financial activities, the Company successfully issued the senior notes due 2021 with an aggregate principal amount of US$243,500,000. With regard to the marketing activities, Mr. Cai Hongwen, co-chairman of the Board and chief executive officer, led the "Mass Winter Sale Campaign" to stimulate the sales volume and has achieved rapid success in terms of collection of installment payments, annual payment and signature rates for contracts. With regard to human resources, we have adopted a Hydoo's talent introduction plan and will formulate and fully implement more incentive award schemes. With regard to the operation management, in order to meet new developments and accommodate new ideas, the Group reorganized its organizational and management structure. By optimizing and strengthening the organization and its management functions, the Group saw a significant improvement in its horizontal synergy and vertical efficiency.

In respect of the recurring business of the Group, its income continued to grow during the Year. In 2019, the Group's revenue from the provision of property management services amounted to approximately RMB63.6 million, an increase of 10.7% 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 RMB56.2 million, an increase of 41.4% from the previous year, which is the result of continuous increase in leasing areas.

PROSPECTS

China is experiencing an unexpected challenge – an outbreak of the novel coronavirus. Various measures to contain the spread of the virus such as delayed resumption of work after the Chinese New Year holiday, traffic control, and prevention of crowd gathering have been implemented in every part of the country. Sectors such as wholesale and retail, hotels and restaurants, logistics, transportation and cultural tourism are directly and obviously hit by the coronavirus pandemic. The PRC government responded rapidly by adopting a series of "burden reduction" policies, including financial and fiscal measures, for those enterprises adversely affected by the coronavirus pandemic, especially small and medium-sized enterprises, so as to mitigate the pressure of tightening capital chain and the need of working capital on them by reduction of labor force and general operating costs, with a view to stabilizing the operation of small and medium-sized enterprises. With regard to the real estate sector, as resumption of work has been suspended in construction sites across the country, the pace of investment in real estate development has been forced to slow down. Sales offices in many cities were closed and property sales were almost halted, resulting in increased pressure on the cash flow of the real estate development companies. However, as the Chinese New Year holiday is traditionally the slack season for real estate market, the prolonged Chinese New Year holiday has limited impact on the sales of properties. With the end of the epidemic, the constrained demand during the epidemic period will be subsequently picked up again. Therefore, the long-term and mid-term factor that affect the real estate market will still have demand and supply in real estate market under the macroeconomic control and the monetary policies. As evidenced by historical data, natural disasters will only have one time impact on the macro economy. In the short term, the epidemic will slow down the economic growth for the first quarter of 2020, but in the long run, it will not change overall trend of the PRC's economy.

2020 is the year in which China will be developed into an all-inclusive well-off society and the closing year of "Thirteenth Five-Year Plan". There are still lots of works that need to be carried out by the PRC government to maintain a stable reform and development during this closing year. 2020 is also the first full year after the introduction of a new strategic shareholder for the Group, and a year that links our past success to our future development. The Group will further promote its result and efficiency-oriented strategy, which focuses on prudent decision-making on material investment, flexible business operation, and the pursuit of inter-departmental coordination, higher operation efficiency and a fine balance of ambition and prudence with a view to boost the organic morale and stimulate the dynamic of the Company. Keeping in mind the philosophy of "prudence", the Group will insist on, under the strategy of business diversification, doing its best to excel and secure its advantages in commercial and logistics properties and cultural and recreational properties, and increase the portion of residential properties in order to increase the Group's profits.

In 2020, the Group will put its efforts mainly on the following areas: Firstly, it will refine its corporate systems, raise its employees' awareness on their duties and responsibilities and firmly instill the concept to its employees that the Group's operates as strategically as playing a chess game and that the Group and its members as a whole shall work together to win the chess game. Secondly, it will strive for building a strong management team and a pool of talented workforce. Through education and training, the Group will work hard for building a team of leaders with high decision-making and leadership capabilities, a management team with strong execution capabilities and a pool of workforce with talent and integrity, strong sense of responsibility, excellent performance, and high all-round capabilities. Thirdly, it will be dedicated to implement a system of accountability for better risk management and monitoring with an aim to promote integrity and create new culture, striving for the creation of a desirable environment for operation,working and growth within the Company. Fourthly, the Group will place strong emphasis on the liquidation of its inventory and continue to treat this as the central task of the Group. To be in line with the market conditions, the Group will adjust its operation structure and solidify its foundation in order to consolidate its existing business and develop new business opportunities. In addition, the Group attaches great importance to our growth in the Guangdong-Hong Kong-Macao Greater Bay Area. We will focus our resources on the development of the projects in Greater Bay and seek other potential projects in the Greater Bay Area for a rapid breakthrough in our strategic deployment in the Greater Bay Area.

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.

Wong Choi Hing
Chairman

Hong Kong, 27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of FY2019 Performance

Contracted Sales Performance

In FY2019, the Group recorded contracted sales of approximately RMB 2,805.5 million and contracted sales area of 482,553 sq.m., (FY2018: approximately RMB2,854.9 million and 401,378 sq.m.). Contracted sales recorded during the Year were primarily in relation to the pre-sale of properties for projects in Ganzhou, Jining, Yulin, Lanzhou and Wuzhou.

Details of contracted sales recorded in FY2019 are shown in the table below:

	For the year ended 31 December					
	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)					
Ganzhou Trade Center						
Residence	**121,471**	**7,158**	**869,532**	20,429	7,021	143,426
Wholesale trading market units	**587**	**9,264**	**5,438**	2,937	9,698	28,484
Subtotal	**122,058**	**7,168**	**874,970**	23,366	7,357	171,910
Jining Trade Center						
Residence	**62,761**	**5,816**	**365,037**	25,931	5,760	149,352
Wholesale trading market units	**30,850**	**4,150**	**128,027**	30,725	4,111	126,297
Other commercial	**–**	**–**	**–**	43,222	13,665	590,615
Shopping mall	**–**	**–**	**–**	51,941	9,500	493,436
Subtotal	**93,611**	**5,267**	**493,064**	151,819	8,956	1,359,700
Yulin Trade Center						
Wholesale trading market units	**65,179**	**5,138**	**334,859**	26,065	4,961	129,306
Shopping mall	**11,957**	**4,055**	**48,483**	2,027	5,667	11,488
Subtotal	**77,136**	**4,970**	**383,342**	28,092	5,012	140,794
Lanzhou Trade Center						
Wholesale trading market units	**55,350**	**4,925**	**272,579**	57,391	5,146	295,354
Subtotal	**55,350**	**4,925**	**272,579**	57,391	5,146	295,354
Wuzhou Trade Center						
Residence	**43,879**	**4,577**	**200,819**	23,656	4,579	108,326
Wholesale trading market units	**14,583**	**3,891**	**56,737**	22,333	4,448	99,333
Subtotal	**58,462**	**4,406**	**257,556**	45,989	4,515	207,659

	For the year ended 31 December					
	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)					
Yantai Trade Center						
Serviced apartments	**7,470**	**11,572**	**86,440**	12,977	9,501	123,290
Wholesale trading market units	**15,014**	**5,952**	**89,370**	10,171	6,152	62,570
Subtotal	**22,484**	**7,819**	**175,810**	23,148	8,029	185,860
Heze Trade Center						
Wholesale trading market units	**33,034**	**5,695**	**188,138**	22,777	4,659	106,124
Subtotal	**33,034**	**5,695**	**188,138**	22,777	4,659	106,124
Liuzhou Trade Center						
Wholesale trading market units	**14,504**	**8,253**	**119,695**	40,978	8,291	339,761
Subtotal	**14,504**	**8,253**	**119,695**	40,978	8,291	339,761
Mianyang Trade Center						
Wholesale trading market units	**5,848**	**6,860**	**40,118**	6,927	6,409	44,393
Subtotal	**5,848**	**6,860**	**40,118**	6,927	6,409	44,393
Ningxiang Trade Center						
Serviced apartments	**66**	**3,803**	**251**	891	3,715	3,310
Subtotal	**66**	**3,803**	**251**	891	3,715	3,310
Total	**482,553**	**5,814**	**2,805,523**	401,378	7,113	2,854,865

Land Bank

As of 31 December 2019, we had a total land bank of approximately 7.7 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 gross floor area (the "GFA") of completed properties	Saleable GFA of completed properties	Total GFA of properties delivered as of 31/12/2019	Undelivered saleable GFA of completed properties as of 31/12/2019	Estimated GFAof 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.*
Ganzhou Trade Center	1,019,630	923,890	641,950	281,940	223,542	2,054,043	2,559,525
Lanzhou Trade Center	585,165	490,976	326,603	164,373	115,598	1,587,133	1,867,104
Wuzhou Trade Center	452,759	405,168	295,820	109,348	216,521	472,793	798,662
Jining Trade Center	865,696	818,734	685,417	133,317	196,542	304,957	634,816
Jiamusi Trade Center	6,344	6,344	–	6,344	–	447,888	454,232
Heze Trade Center	373,622	358,609	234,503	124,106	–	318,493	442,599
Yulin Trade Center	432,680	357,721	270,350	87,371	123,978	180,692	392,041
Yantai Trade Center	154,212	127,523	67,089	60,434	127,253	–	187,687
Ningxiang Trade Center	382,842	374,948	296,978	77,970	61,518	–	139,488
Liuzhou Trade Center	188,733	188,168	173,461	14,707	–	112,093	126,800
Mianyang Trade Center	511,435	437,880	404,211	33,669	–	80,321	113,990
Haode Yinzuo	48,650	48,650	40,059	8,591	–	–	8,591
Total	5,021,768	4,538,611	3,436,441	1,102,170	1,064,952	5,558,413	7,725,535

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

As of 31 December 2019, for this trade center project we had completed the construction of the wholesale trading markets, shopping malls, a food street, a logistics distribution center, residential areas, warehouses and certain supporting buildings and facilities. We are constructing 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.

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 2019, 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 2.3 million sq.m. upon completion.

As of 31 December 2019, for this trade center project, 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 and additional 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 31 December 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 planned GFA of approximately 1.1 million sq.m. upon full completion of Phase I development.

As of 31 December 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 31 December 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 31 December 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 residential areas. As part of our future development plan, we are planning to construct serviced apartments, office buildings and warehouses.

Heze Trade Center

Heze Trade Center is located in the city's central Mudan District along 220 National Road 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 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 31 December 2019, for this trade center project, we had completed the construction of the wholesale trading markets, a shopping mall and a commercial center. 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 Hatong Highway.

As of 31 December 2019, 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 2019, 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 Highway 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 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 31 December 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 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 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 31 December 2019, for this trade center project, we had completed the construction of wholesale trading markets, office building and a commercial center, we were constructing, serviced apartments, additional office building and certain supporting buildings and facilities.

Liuzhou Trade Center

Liuzhou Trade Center is located in Liujiang Town, Liuzhou City, Guangxi. 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 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 31 December 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, shopping malls, office buildings, hotels, serviced apartments, warehouses, 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. 319 National Road 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 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 31 December 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.

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

As of 31 December 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.

Impact of Novel Coronavirus

The ourbreak of the novel coronavirus has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place a series of proactive contingency measures, including adopting work from home policy for some employees to avoid the agglomeration and providing necessary protective products to those employees who work on-site. In terms of operation, the company strives to manage the cash flow and to adjust the sales and construction plan according to the epidemic situation and government's instructions. The Group will keep the contingency measures under review as the situation evolves. Almost all of the Group's assets are located in the Mainland China, which are also the most significant sources of revenue income. As far as the Group's businesses are concerned, the outbreak of the novel coronavirus may mainly affect the Group's investment and development properties portfolios in relation to sales and rental revenues. However, it would be difficult to accurately determine the full impact of the outbreak on the Group given that the first quarter of the year is the slack season of the Group's sales so the impact of the outbreak on the Group's sales in 2020 is not as severe as expected; and the difficulties in predicting the adverse impact on the levels of rental income of the Group would only be more accurately determined when current leases are due for renewal.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB1,258.9 million, or 44.3%, from approximately RMB2,842.2 million for FY2018 to RMB1,583.3 million for FY2019. The 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 stated periods:

	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Revenue from contracts with customers within the scope of IFRS 15				
– Sales of properties	**1,422,946**	**89.9**	2,712,484	95.4
– Property management services	**63,588**	**4.0**	57,458	2.0
– Others	**40,620**	**2.6**	32,537	1.2
	1,527,154	**96.5**	2,802,479	98.6
Revenue from other sources				
– Gross rental income from investment properties	**13,964**	**0.9**	15,927	0.6
– Other rental income	**42,190**	**2.6**	23,796	0.8
	56,154	**3.5**	39,723	1.4
	1,583,308	**100.0**	2,842,202	100.0

Sales of Properties

Revenue from the sales of properties decreased by RMB1,289.6 million, or 47.5%, from approximately RMB2,712.5 million for FY2018 to RMB1,422.9 million for FY2019. The decreased of the sales of properties was mainly due to the decrease in the average sales price of properties sold and the decrease in GFA of properties sold. The average sales price decreased by RMB1,554 per sq.m., or 23.3%, from RMB6,669 per sq.m. for FY2018 to RMB5,115 per sq.m. for FY2019, and the GFA of properties sold decreased by 128,501 sq.m., or 31.6% from 406,704 sq.m. for FY2018 to 278,203 sq.m. for FY2019. Although contracted sales performance for FY2019 remained consistent with FY2018, the GFA of properties sold decreased, as residential areas took up a larger proportion of the company's properties being developed, which require a longer construction period. Thus, the decrease of GFA of properties sold mainly reflected a timing difference. Our revenue from the sales of properties for FY2019 was primarily derived from the sales at our Liuzhou Trade Center, Heze Trade Center, Lanzhou Trade Center and Jining 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					
	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	**41,968**	**7,535**	**316,219**	72,483	7,815	566,425
Subtotal	**41,968**	**7,535**	**316,219**	72,483	7,815	566,425
Heze Trade Center						
Wholesale trading market units	**55,204**	**5,203**	**287,209**	9,680	4,137	40,043
Subtotal	**55,204**	**5,203**	**287,209**	9,680	4,137	40,043
Lanzhou Trade Center						
Wholesale trading market units	**44,209**	**4,697**	**207,630**	85,071	5,255	447,026
Other Commercial	**126**	**6,095**	**768**	–	–	–
Subtotal	**44,335**	**4,701**	**208,398**	85,071	5,255	447,026
Jining Trade Center						
Wholesale trading market units	**44,775**	**3,883**	**173,853**	16,278	3,993	65,005
Residence	**2,161**	**6,105**	**13,193**	4,449	3,875	17,242
Other Commercial	**–**	**–**	**–**	43,222	12,929	558,809
Shopping mall	**–**	**–**	**–**	51,941	8,988	466,869
Subtotal	**46,936**	**3,985**	**187,046**	115,890	9,560	1,107,925
Yantai Trade Center						
Wholesale trading market units	**21,447**	**5,739**	**123,087**	12,339	5,716	70,527
Subtotal	**21,447**	**5,739**	**123,087**	12,339	5,716	70,527
Wuzhou Trade Center						
Wholesale trading market units	**28,390**	**4,080**	**115,844**	16,495	4,284	70,672
Shopping mall	**86**	**6,198**	**533**	–	–	–
Subtotal	**28,476**	**4,087**	**116,377**	16,495	4,284	70,672

	For the year ended 31 December					
	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)					
Yulin Trade Center						
Wholesale trading market units	**14,831**	**4,658**	**69,080**	6,251	5,686	35,541
Shopping mall	**2,840**	**5,290**	**15,025**	–	–	–
Subtotal	**17,671**	**4,759**	**84,105**	6,251	5,686	35,541
Mianyang Trade Center						
Wholesale trading market units	**7,709**	**5,413**	**41,730**	7,100	5,895	41,855
Subtotal	**7,709**	**5,413**	**41,730**	7,100	5,895	41,855
Ganzhou Trade Center						
Residence	**1,696**	**8,927**	**15,141**	79,213	4,034	319,556
Wholesale trading market units	**2,415**	**8,630**	**20,842**	–	–	–
Subtotal	**4,111**	**8,753**	**35,983**	79,213	4,034	319,556
Ningxiang Trade Center						
Serviced apartments	**10,121**	**2,139**	**21,645**	1,129	3,210	3,624
Subtotal	**10,121**	**2,139**	**21,645**	1,129	3,210	3,624
Haode Yinzuo						
Residence	**225**	**5,098**	**1,147**	293	4,696	1,376
Others	**–**	**–**	**–**	760	10,413	7,914
Subtotal	**225**	**5,098**	**1,147**	1,053	8,822	9,290
Total	**278,203**	**5,115**	**1,422,946**	406,704	6,669	2,712,484

Property Management Services

Revenue from property management services increased by RMB6.1 million, or 10.6%, from RMB57.5 million for FY2018 to RMB63.6 million for FY2019. This increase primarily reflected the continued expansion of our property management portfolio.

Revenue from Other Sources

Revenue from other sources increased by 16.5 million, or 41.6%, from RMB39.7 million for FY2018 to RMB56.2 million for FY2019, representing the (a) gross rental income from investment properties amounted to RMB14.0 million (FY2018:RMB15.9 million); (b) other rental income amounted to RMB42.2 million (FY2018:RMB23.8 million). The changes were primarily due to the changes in leasing area during the Year.

Cost of Sales

Cost of sales decreased by RMB688.9 million, or 40.5%, from RMB1,699.3 million for FY2018 to RMB1,010.4 million for FY2019, primarily reflecting a decrease in GFA sold. The decline is in line with the decline in sales of properties.

Gross Profit and Margin

As a result of the foregoing, gross profit decreased by RMB570.0 million, or 49.9%, from RMB1,142.9 million for FY2018 to RMB572.9 million for FY2019. The decrease was mainly due to the decrease in sales of properties and the decrease in average sales price in FY2019. Our gross profit margin decreased from 40.2% for FY2018 to 36.2% for FY2019.

Other Income

Other income increased by RMB111.3 million, or 120.5%, from RMB92.4 million for FY2018 to RMB203.7 million for FY2019. The increase was mainly due to the net gain on disposal of subsidiaries increased from RMB6.6 million for FY2018 to RMB187.1 million for FY2019.

Selling and Distribution Costs

Selling and distribution costs increased by RMB5.4 million, or 4.9%, from RMB111.0 million for FY2018 to RMB116.4 million for FY2019. The increase primarily reflected an increase in the number of properties that were pre-sold in FY2019.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by RMB83.7 million, or 19.2%, from RMB436.8 million for FY2018 to RMB520.5 million for FY2019. The increase mainly reflected the increased staff costs and professional fees in FY2019.

Impairment Loss on Financial Assets Measured at Amortization Cost

During FY2019, the impairment loss on financial assets measured at amortization cost of approximately RMB21.3 million (FY2018: RMB46.6 million) was recognized by the Group, representing the (a) impairment loss on trade and other receivables of approximately RMB17.7 million (FY2018: RMB33.6 million); (b) reversal of provision for impairment loss on finance lease receivables of approximately RMB0.2 million (FY2018: accrued RMB13.0 million); (c) impairment loss on loans to the third parties of approximately RMB3.8 million (FY2018: Nil). The amount reflected the expected credit loss recognized for financial assets measured at amortization cost during FY2019.

Fair Value Loss on Investment Properties

The Group's investment properties carried at fair value as of 31 December 2019 were valued by Savills Valuation and Professional Services Limited, an independent firm of surveyors. For FY2019, the Group recorded a fair value loss of RMB77.5 million (FY2018: fair value gain of RMB100.6 million).

Share of Losses of Joint Ventures

During FY2019, the share of losses of joint ventures of approximately RMB3.5 million was recognised by the Group, mainly representing the share of loss of the joint venture Bejing Hydoo North Enterprise Management Co., Ltd. of approximately RMB3.0 million, while the share of losses of joint ventures of RMB19.9 million for FY2018 mainly represented the impairment loss in relation to the interest in Hydoo Best Group Co., Ltd. ("**Hydoo Best**") of approximately RMB19.8 million.

Finance Income

Our finance income increased by RMB12.5 million, or 35.4%, from RMB35.3 million for FY2018 to RMB47.8 million for FY2019. The increase reflected an increase in interest income from our interest bearing receivables in FY2019.

Finance Costs

Our finance costs decreased by RMB111.1 million, or 32.7%, from RMB339.4 million for FY2018 to RMB228.3 million for FY2019. The decrease was primarily due to the decrease of interest on senior notes and bank loans during the Year.

Income Tax

Our income tax expense decreased by RMB173.8 million, or 56.7%, from RMB306.7 million for FY2018 to RMB132.9 million for FY2019. Such decrease was primarily due to the decrease in provision for PRC land appreciation tax and PRC corporate income tax during the Year.

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

As a result of the foregoing, the Group incurred a net loss of RMB277.3 million for FY2019 (FY2018: Net Profit of RMB109.9 million), and a loss attributable to equity shareholders of the Company of RMB271.2 million for FY2019 (FY2018: Profit Attributable to Equity Shareholders of the Company of RMB107.0 million).

Interest in Joint Ventures

As of 31 December 2019, the Group's interest in joint ventures amounted to RMB134.8 million (31 December 2018: RMB132.7 million), mainly representing the Group's interest in Hydoo Best of RMB125.8 million (31 December 2018: RMB126.2 million).

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 of the Company (the "**Directors**") expect that the Group will be able to recover part of its interest in Hydoo Best by applying public auction of 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 Directors based on a valuation report prepared by external valuers, 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 Hydoo Best in 2018. Based on the fair value of the land pieces assessed as of 31 December 2019, the Directors considered that no further provision for impairment loss was necessary during the Year.

Other Non-current Assets

As of 31 December 2019, other non-current assets of the Group amounted to RMB404.8 million (31 December 2018: RMB121.0 million), representing the (a) financial assets measured at amortization cost amounted to RMB61.6 million (31 December 2018: Nil); (b) financial assets measured at FVPL amounted to RMB269.3 million (31 December 2018: RMB121.0 million);(c) deposit and prepayment amounted to RMB73.9 million (31 December 2018: Nil), which reflected earnst payments for development of projects.

Pledged and Restricted Cash

Pledged and restricted cash amounted to RMB606.0 million as of 31 December 2019, compared to RMB585.6 million as of 31 December 2018. As of 31 December 2019, the pledged and restricted cash was pledged to banks for certain mortgage facilities granted to purchasers of the Group's properties, pledged for bank loans 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, 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)*	
	2019	2018
Current		
Secured		
– short-term bank loans and other borrowings	**139,524**	–
– current portion of non-current bank loans and other borrowings	**362,938**	472,661
Unsecured		
– short-term bank loans and other borrowings	**–**	15,000
Guaranteed		
– short-term bank loans and other borrowings	**3,000**	–
Subtotal	**505,462**	487,661
Non-current		
Secured		
– repayable after 1 year but within 2 years	**366,512**	498,750
– repayable after 2 years but within 5 years	**263,398**	223,250
– repayable after 5 years	**98,311**	56,250
Unsecured		
– repayable after 1 year but within 2 years	**–**	1,000
Subtotal	**728,221**	779,250
Total	**1,233,683**	1,266,911

Bank loans and other borrowings bear interest rates ranging from 3.38% to 9.60% per annum for FY2019 (FY2018: 2.12% to 9.60% per annum) and are secured by the following assets:

	As of 31 December	
	(RMB'000)	
	2019	2018
Properties under development for sale	**754,190**	214,354
Investment properties	**688,300**	683,900
Properties held for future development for sale	**615,847**	441,523
Property, plant and equipment	**347,036**	357,053
Completed properties held for sale	**279,304**	712,045
Pledged cash	**207,340**	–
Total	**2,892,017**	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 31 December 2019, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,757.9 million (FY2018: RMB2,204.5 million).

Commitments

Capital commitments outstanding as of 31 December 2019 contracted but not provided for in the financial statements were as follows:

	As of 31 December *(RMB'000)*	
	2019	2018
Construction and development contracts	**1,695,686**	2,050,974
Total	**1,695,686**	2,050,974

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	
	2019	2018
Current ratio[(1)]	**1.46**	1.50
Gearing ratio[(2)]	**21.5%**	20.5%
Net gearing ratio[(3)]	**20.4%**	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 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

During FY2019, the Group disposed its entire equity interest in Beijing Hydoo Yingchuang Corporate Management Company Limited to an associate, Beijing Sunac Hydoo Corporate Management Company Limited. For details, please refer to note 3 to the financial statements. 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. Yulin Jingde Real Estate Company Limited was an insignificant subsidiary of the Group pursuant to Rule 14A.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). For details, please refer to note 3 to the financial statements.

Human Resources

As of 31 December 2019, the Group had a workforce of 805 people (31 December 2018: 1,074 people). The number of staff had decreased by 25.0% since 31 December 2018. During FY2019, the total employee benefit expenses amounted to RMB261.0 million, increased by 14.4% (FY2018: RMB228.2 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 30 May 2019, the Company has approved and adopted a share option scheme for its Directors and employees (the "**Share Option Scheme**"). As of the date of this annual results announcement, no share options have been granted under the Share Option Scheme.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for FY2019.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 June 2020 to 5 June 2020, 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 1 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of 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 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.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to a purchase agreement dated 27 December 2019, the Company issued additional 2021 Senior Notes with an aggregate principal amount of US$50,000,000, which are consolidated and formed a single class with the US$193,500,000 aggregate principal amount of 2021 Senior Notes issued by the Company on 19 December 2019 (note 10 to the financial statements). The issuance of the additional 2021 Senior Notes was completed on 6 January 2020. The proceeds of the additional 2021 Senior Notes was primarily used for the repayment of debts, financing acquisition or development of assets or property in the ordinary course of business, and general corporate purposes.

Please refer to the Company's announcements dated 27 December 2019 and 8 January 2020 for further details.

Save as the issuance of the additional 2021 Senior Notes with an aggregate principal amount of US$50,000,000 disclosed above, there is no significant event of the Group since the end of the FY2019.

CORPORATE GOVERNANCE

Save as disclosed in the paragraph below, 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.

Paragraph L(d)(iv) of the CG Code under Appendix 14 of the Listing Rules states that an issuer shall provide details of non-compliance with Rule 3.21 of the Listing Rules and an explanation of the remedial steps taken to address non-compliance with establishment of an audit committee. During the period from 12 October 2019 to 31 December 2019, Mr. Wang Dewen was a member of the Audit Committee. As soon as it came the Company's attention that the Audit Committee should be comprised of non-executive directors of the Company, the Company has immediately replaced Mr. Wang Dewen with Mr. Yue Zheng, an independent non-executive Director on 20 March 2020 with effect on the same day.

Paragraph A.2.1 of the CG Code under Appendix 14 of the Listing Rules states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

In light of the Company's individual circumstances, the Board considers that the appointment of Mr. Cai Hongwen as both Co-Chairman and CEO complies with the overall objective and underlying principle of the requirements set out in paragraph A.2.1 of the CG Code, as such, the appointment should only be considered as a "mere deviation" from the CG Code for the following reasons: (1) the need for facilitating the transition process and the significance to represent Greater Bay Area Holdings' interest in the Board arising from the recent change of control, (2) the commercial decisions to appoint the three Chairmen and the two Co-CEOs and (3) the capability to maintain checks and balances of power and authority of the Board.

The Board considers the appointment can achieve the purpose for maintaining sufficient checks and balances of power and authority of the Board, given that the relevant role and responsibilities are divided among the three Chairmen and the two Co-CEOs as stated hereinabove. Further, the Board also includes three high-calibre independent-non executive Directors, two of whom possess relevant experiences in listed companies in Hong Kong and/ or Shanghai. With the strong independence element and their professional advice and support, the Board believes the existing Board composition can ensure that the power and authority of the Board are not concentrated in any particular individual as required under the CG Code.

The Company will nonetheless regularly review the structure and composition of the Board in light of the evolving needs of the Group and will consider segregating the roles of the Chairman and the CEO as and when appropriate.

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 three independent non-executive Directors. 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. Yue Zheng, an independent 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 in compliance with Rule 3.25 and Rule 3.26 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 Remuneration Committee by the Board.

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 Dewen, an executive Director. The primary duties of the Remuneration Committee are to make recommendations to the Board on the policy and structure for all Directors' and senior management remuneration and to make recommendations to the Board on the remuneration packages of individual Directors and 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 Share Option Scheme, 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 Share Option Scheme 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.

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. Zeng Yunshu, an executive Director. 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.

CANCELLATION OF THE STRATEGIC REVIEW COMMITTEE

With reference to the announcements made by the Company dated 13 August 2019 and dated 11 September 2019, as a result of the change of controlling shareholders of the Company, Most Trend Holdings Limited ceased to be the controlling shareholder of the Company on 11 September 2019. As a result, neither Mr. Wong Choi Hing nor Mr. Wang Dewen holds any interest in the Company through himself or his spouse or any of his minor child since 11 September 2019. Since 11 September 2019, the Company is therefore no longer be restricted from engaging in the development of trade center projects in Harbin under the non-competition undertaking entered into by Mr. Wong Choi Hing and Mr. Wang Dewen in favour of Harbin China South City Company Limited. Consequently, the Board approved to cancel the Strategic Review Committee with effect from 27 March 2020.

CONNECTED TRANSACTION

The Board confirmed that, during FY2019, 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 2019 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.

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 5 June 2020. 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 WEBSITES 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 2019 will be dispatched to the shareholders and will be available on the above websites in due course.

By order of the Board
Hydoo International Holding Limited
WONG Choi Hing
Chairman and Executive Director

Hong Kong, 27 March 2020

As at the date of this announcement, our executive Directors are Mr. Wong Choi Hing, Mr. Cai Hongwen, Mr. Zeng Yunshu, and Mr. Wang Dewen; and our independent non-executive Directors are Mr. Zhao Lihua, Mr. Lam Chi Yuen Nelson and Mr. Yue Zheng.