Hydoo 毅德控股

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1396)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

INTERIM RESULTS

The board of directors (the "**Board**") of Hydoo International Holding Limited (the "**Company**" or "**Hydoo**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2015 (the "**Period**"), together with comparative figures for the preceding period as follows:

Consolidated statement of profit or loss

for the six months ended 30 June 2015 - unaudited (expressed in Renminbi)

	Note	Six months ended 30 June **2015** *RMB'000*	2014 *RMB'000*
Turnover	4	**950,165**	974,115
Cost of sales		**(511,981)**	(354,229)
Gross profit		**438,184**	619,886
Other revenue	5	**64,138**	3,576
Other net income	5	**1,106**	32,875
Selling and distribution expenses		**(82,791)**	(72,880)
Administrative and other operating expenses		**(239,535)**	(218,289)
Profit from operations before fair value gain on investment properties		**181,102**	365,168
Fair value gain upon transfer of completed properties held for sale to investment properties		**277,643**	—
Profit from operations after fair value gain on investment properties		**458,745**	365,168
Fair value change on embedded derivative component of the convertible notes		**59,264**	—
Finance income	6(a)	**7,396**	7,837
Finance costs	6(a)	**(65,263)**	(808)
Profit before taxation	6	**460,142**	372,197
Income tax	7	**(179,448)**	(153,114)
Profit for the period		**280,694**	219,083
Attributable to:			
Equity shareholders of the Company		**271,081**	220,896
Non-controlling interests		**9,613**	(1,813)
Profit for the period		**280,694**	219,083
Earnings per share	8		
Basic (RMB cents)		**6.8**	5.5
Diluted (RMB cents)		**5.8**	5.4

Details of dividends to equity shareholders of the Company are set out in note 16(a).

Consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2015 - unaudited (expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit for the period	**280,694**	219,083
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	**1,413**	6,903
Available-for-sale investments:		
Net movement in fair value reserve	**—**	4,790
Other comprehensive income for the period	**1,413**	11,693
Total comprehensive income for the period	**282,107**	230,776
Attributable to:		
Equity shareholders of the Company	**272,494**	232,562
Non-controlling interests	**9,613**	(1,786)
Total comprehensive income for the period	**282,107**	230,776

Consolidated statement of financial position

at 30 June 2015 unaudited (expressed in Renminbi)

	Note	**30 June 2015** *RMB'000*	31 December 2014 *RMB'000*
Non-current assets			
Property, plant and equipment		**78,855**	92,704
Investment properties	9	**760,000**	—
Intangible assets		**4,144**	3,038
Goodwill		**3,631**	3,631
Other non-current financial assets	12(a)	**31,187**	25,779
Deferred tax assets		**335,011**	293,572
Prepayment for acquisition of property, plant and equipment		**368,535**	368,535
		1,581,363	787,259
Current assets			
Inventories	10	**8,633,815**	7,688,692
Current tax assets		**212,644**	188,991
Trade and other receivables, prepayments and deposits	11	**1,539,213**	1,133,893
Available-for-sale investments	12(b)	**600**	37,000
Restricted cash		**248,300**	198,155
Cash and cash equivalents		**1,402,993**	1,819,029
		12,037,565	11,065,760
Current liabilities			
Trade and other payables	13	**4,550,736**	3,975,215
Bank loans and other borrowings		**801,150**	369,500
Convertible notes-interest payable	14	**22,539**	—
Current tax liabilities		**817,965**	1,054,385
Deferred income	15	**911,233**	882,313
		7,103,623	6,281,413
Net current assets		**4,933,942**	4,784,347
Total assets less current liabilities		**6,515,305**	5,571,606

	Note	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current liabilities			
Bank loans and other borrowings		**1,194,000**	1,192,600
Convertible notes	14	**701,133**	—
Deferred income	15	**6,851**	5,843
Deferred tax liabilities		**69,410**	—
		1,971,394	1,198,443
NET ASSETS		**4,543,911**	4,373,163
CAPITAL AND RESERVES	16		
Share capital		**31,825**	31,825
Reserves		**4,341,439**	4,260,304
Total equity attributable to equity shareholders of the Company		**4,373,264**	4,292,129
Non-controlling interests		**170,647**	81,034
TOTAL EQUITY		**4,543,911**	4,373,163

Notes

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with International Accounting Standard (**IAS**) 34, Interim financial reporting, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 31 August 2015.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– Annual Improvements to IFRSs 2010-2012 Cycle

– Annual Improvements to IFRSs 2011-2013 Cycle

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

3 Segment reporting

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

4 Turnover

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

Turnover represents income from sales of properties, property management services income and rental income net of business tax and other sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Sales of properties	**926,625**	964,432
Property management services	**12,551**	6,861
Rental income	**10,660**	2,822
Advertising income	**329**	—
	950,165	974,115

5 Other revenue and other net income

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Other revenue		
Dividend income	**3,567**	3,243
Government grants (note (i))	**59,701**	—
Others	**870**	333
	64,138	3,576
Other net income		
Net gains on disposal of available-for-sale investments	**3,303**	32,946
Net loss on disposal of property, plant and equipment	**(2,197)**	(71)
	1,106	32,875

Note:

(i) During the six months ended 30 June 2015, the Group transferred certain completed properties held for sale to investment properties (note 9). The related government grants of RMB 59,701,000 (six months ended 30 June 2014: RMB Nil) previously recorded as deferred income (note 15 (i)) were recognised in profit or loss as other revenue during the period.

6 Profit before taxation

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
(a) Finance income and finance costs:		
Interest income	**(5,409)**	(6,760)
Net foreign exchange gain	**(1,987)**	(1,077)
Finance income	**(7,396)**	(7,837)
Interest on convertible notes (note 14)	**48,113**	—
Interest on bank loans and other borrowings	**65,584**	51,445
Less: Interest expenses capitalised into properties under development	**(48,434)**	(50,637)
Interest expense	**65,263**	808
Finance costs	**65,263**	808

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
(b) Other items:		
Depreciation and amortisation	**15,853**	10,860
Operating lease charges	**29,100**	9,584
Cost of properties sold (i)	**482,084**	348,107
Equity settled share-based payments	**1,126**	1,422

(i) Cost of properties sold is after netting off benefits from government grants of RMB114,207,000 (six months ended 30 June 2014: RMB182,582,000).

7 Income tax

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**101,779**	122,005
PRC Land Appreciation Tax	**49,698**	87,644
	151,477	209,649
Deferred tax		
Origination and reversal of temporary differences	**27,971**	(56,535)
	179,448	153,114

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

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

(c) PRC Corporate Income Tax ("**PRC CIT**")

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

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Company Limited was approved to enjoy a preferential PRC CIT rate of 15% from the years 2012 to 2020 according to a tax notice issued by the local tax bureau. The preferential tax treatment was based on various tax rules and regulations in relation to PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

(d) PRC Land Appreciation Tax ("**PRC LAT**")

PRC LAT which is levied on properties developed for sale by the Group in the PRC, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from PRC LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to PRC LAT which were calculated based on 6% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging PRC LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Administration of Taxation or any tax bureau of higher authority is remote.

(e) PRC dividend withholding tax

Withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB271,081,000 (six months ended 30 June 2014: RMB220,896,000) and the weighted average of 4,014,844,000 ordinary shares (six months ended 30 June 2014: 4,026,851,000 ordinary shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company (diluted) of RMB259,930,000 (six months ended 30 June 2014: RMB220,896,000) and the weighted average of 4,455,756,000 ordinary shares (six months ended 30 June 2014: 4,071,239,000 shares) after adjusting for the effect of deemed issue of shares for nil consideration under the Company's Pre-IPO Share Option Scheme and the effect of conversion of convertible notes.

9 Investment properties

During the six months ended 30 June 2015, the Group transferred certain completed properties held for sale to investment properties since there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. The Group's investment properties carried at fair value were firstly valued as at 30 June 2015 by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors. The valuation was carried out by Savills with reference to the market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc., between the comparable properties and the subject property. A fair value gain of RMB277,643,000 (six months ended 30 June 2014: RMB Nil), and corresponding deferred tax of RMB69,411,000 (six months ended 30 June 2014: RMB Nil), upon the transfer had been recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB174,400,000 (31 December 2014: RMB Nil)

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

10 Inventories

	30 June 2015 RMB'000	31 December 2014 RMB'000
Property development		
Properties under development for sale	**4,929,080**	3,566,207
Completed properties held for sale	**2,446,085**	2,544,436
Properties held for future development for sale	**1,256,715**	1,577,477
	8,631,880	7,688,120
Others		
Low-value consumption goods	**1,935**	572
	8,633,815	7,688,692

As at 30 June 2015, certain properties under development for sale, completed properties held for sale and properties held for future development for sale were pledged for certain bank loans granted to the Group.

11 Trade and other receivables, prepayments and deposits

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade and bill receivables	**17,170**	27,393
Prepaid business tax and other taxes	**184,382**	137,761
Deposits, prepayments and other receivables	**1,337,661**	968,739
	1,539,213	1,133,893

Ageing analysis:

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 1 month	**10,379**	17,971
1 to 3 months	**15**	4,516
3 to 6 months	**3,661**	4,906
Over 6 months	**3,115**	—
	17,170	27,393

Trade and bill receivables are primarily related to the proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

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

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

As at 30 June 2015, the Group has no concentration of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the period.

12 Other Financial Assets

(a) *Other non-current financial assets*

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Available-for-sale unlisted equity securities	**31,187**	25,779

(b) *Available-for-sale investments*

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Wealth management products	**600**	37,000

At 30 June 2015, the available-for-sale investments represented short-term unlisted wealth management products issued by banks in the PRC which are either redeemable on demand or with maturities within 12 months.

13 Trade and other payables

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

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Due within 1 month or on demand	**249,380**	712,272
Due after 1 month but within 3 months	**869,714**	335,133
Due after 3 months but within 6 months	**552,741**	589,107
Due after 6 months	**81,900**	83,921
Trade and bills payables	**1,753,735**	1,720,433
Receipts in advance	**2,564,741**	2,013,186
Other payables and accruals	**232,260**	241,596
	4,550,736	3,975,215

14 Convertible notes

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

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

The rights of the convertible notes holder to convert the convertible notes into ordinary shares are as follows:

- The convertible notes will be convertible at the option of the holder into ordinary shares at the initial conversion price of HK$1.956 per share but will be subject to adjustment in the manner provided in the Indenture (the "**Conversion Price**").

- The number of ordinary shares to be issued on conversion of a convertible notes will be determined by dividing the principal amount of the convertible notes to be converted (translated into HK dollars at the fixed exchange rate of HK$7.7546 to US$1.00) by the Conversion Price in effect on the conversion date. A conversion right may only be exercised in respect of one or more notes. If more than one convertible notes held by the same holder is converted at any one time by the same holder, the number of ordinary shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the convertible notes to be converted.

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

The convertible notes holder may require the Company to redeem all or some of such convertible notes at their Early Redemption Amount together with interest accrued and unpaid to the redemption date when (i) the ordinary shares of the Company cease to be listed or admitted to trading or suspended for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange; (ii) there is a change of control, or (iii) the Company fails to meet certain sales targets for the year ending 31 December 2015 and 2016.

In addition, the convertible notes holder shall have the right to require the Company to redeem all or some of such convertible notes at any time on or after 23 January 2018 at its Early Redemption Amount together with interest accrued and unpaid to the redemption date.

Upon giving not less than 30 days' nor more than 60 days' notice to the convertible notes holder, the trustee and the paying and transfer agent, the Company may redeem the convertible notes at a redemption price equal to the Early Redemption Amount on the redemption date fixed by the Company together with accrued and unpaid interest (and any additional tax amounts) if any, to the tax redemption date if (i) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a relevant taxing jurisdiction affecting taxation; or (ii) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction).

As a result of the payment of final dividend in respect of the year ended 31 December 2014 by the Company, the conversion price of the convertible notes was adjusted from HK$1.956 per share to HK$1.884 per share effective from 20 May 2015.

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

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

	Host liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
Net proceeds for the issuance of the convertible notes	525,701	210,403	736,104
Interest expenses (i) (note 6(a))	48,113	—	48,113
Change in fair value of derivative component	—	(59,264)	(59,264)
Exchange difference	(1,281)	—	(1,281)
At 30 June 2015	572,533	151,139	723,672
Less: Interest payable due within 1 year	(22,539)	—	(22,539)
Non-current portion of convertible notes at 30 June 2015	549,994	151,139	701,133

(i) Interest expenses

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

(ii) Conversion rights exercised

No convertible notes was converted as at 30 June 2015.

15 Deferred income

	30 June 2015 RMB'000	31 December 2014 RMB'000
Current		
– Government grants (note i)	**911,233**	882,313
Non-current		
– Deferred revenue in relation to sale and operating leaseback arrangement (note ii)	**6,851**	5,843

Note

(i) Pursuant to the respective agreements between the Group and local governments, such grants are for subsidising the infrastructure construction of certain projects undertaken by the Group's property development subsidiaries. During the six months ended 30 June 2015, the Group recognised grants of RMB202,828,000 (six months ended 30 June 2014: RMB177,752,000) from certain governments for the Group's projects.

(ii) In conjunction with certain sales contracts entered into by Jining Hydoo Logistics Center Development Company Limited and Wuzhou Hydoo Commercial and Trade Centre Development Company Limited for sales of properties, the Group subsequently leased back certain sold properties from the respective buyers under the operating leases for the terms of 3 to 10 years at agreed rental rates. Upon recognition of the sales of such properties, a portion of the sales proceeds, which represents the excess of sales price over fair value of such properties, is deferred and amortised over the respective terms. During the six months ended 30 June 2015, the deferred revenue arising from such sales and leaseback arrangements amounted to RMB1,008,000 (six months ended 30 June 2014: RMB87,000). The revenue recognised from sales of such properties amounted to RMB3,211,000 during the period (six months ended 30 June 2014: RMB660,000).

16 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK6 cents per share (six months ended 30 June 2014: HK19.5 cents per share)	**192,485**	624,309

(b) Share capital

Authorised and issued share capital

	At 30 June 2015		At 31 December 2014	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**8,000,000**	**80,000**	8,000,000	80,000

Ordinary shares, issued and fully paid:

	Note	**Par value**	**Number of Shares**	**Nominal value of ordinary shares**	
		HK$	***'000***	***HK$'000***	***RMB'000***
At 1 January 2014		0.01	4,029,950	40,299	31,945
Shares repurchased and cancelled	(1)	0.01	(15,106)	(151)	(120)
At 31 December 2014, 1 January 2015 and 30 Jun 2015		0.01	4,014,844	40,148	31,825

Note

(1) During the previous financial year, the Company repurchased 15,106,000 of its own ordinary shares on the Stock Exchange for a total consideration of HK$40,443,550 (equivalent to approximately RMB32,145,000). All of the 15,106,000 repurchased ordinary shares have been cancelled during the year ended 31 December 2014 and the related issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$150,106 (equivalent to approximately RMB120,000) was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of shares of HK$40,293,444 (equivalent to approximately RMB32,025,000) was charged to the share premium account.

There is no change in ordinary shares during the six months ended 30 June 2015.

(c) Non-controlling interests

During the six months ended 30 June 2015, the Group increased the paid-in capital of Huaiyuan Hydoo Commercial and Trade Center Company Limited by RMB200,000,000, of which RMB80,000,000 was paid up by the non-controlling equity holder.

17 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Wages, salaries and other benefits in kind	**12,675**	9,150
Contribution to defined contribution retirement plans	**208**	188
Equity settled share-based payments	**288**	728
	13,171	10,066

(b) Transactions with related parties

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Acquisition of subsidiary from one of the Controlling Shareholders	**—**	2,000

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Hydoo International Holding Limited, I am pleased to present the unaudited consolidated interim results of the Group for the Period.

Results

During the Period, the Group's turnover and profit reached approximately RMB950.2 million and RMB280.7 million, respectively, representing a decrease of 2.5% and an increase of 28.1% respectively (six months ended 30 June 2014, the turnover and profit were: RMB974.1 million and RMB219.1 million, respectively). Basic earnings per share for the Period was RMB6.8 cents (six months ended 30 June 2014: RMB5.5 cents).

Review of the Market and Operations

Commitment to Our Core Business

During the Period, faced with the complex domestic and international situation, the Chinese economy remained stable, improved and performed within a proper range. New urbanization, acting as "multiplier" to consumption demands and "accelerator" to investment needs, is an integration platform for leading the new economic normality, enhancing innovative entrepreneurship and for promoting reform. Under this background, National Development and Reform Commission launched three major projects, which are, integration of migration workers, cultivation of new cities and construction of new-style cities and to accelerate new urbanization construction. Our Group strategically focuses on third-tier and forth-tier cities in China and selectively enters into second-tier cities. We continuously develop and operate trade center projects as our core business, and promote leverage of trade logistics towards modernization. The above strategy equips us with the advantage to promote industrial development in the small and medium-sized cities and towns, properly design urban pattern, efficient circulation of commodity, public service, employment and population concentration which is consistent with the new urbanization policy and brings us enormous business opportunities and imagination space for the future.

"One Belt and One Road" Blueprint

Under the background of the "one belt and one road" strategy and inland trade opening-up policy, as one of the leading large-scale comprehensive trade center developers and operators, our Group was given more development opportunities. During the Period, our Group actively responded to the national strategy of globalization of trade centers, participated in the "one belt and one road" construction and gained early stage achievements. During the Period, we entered into three new investment framework agreements with local government authorities regarding Liuzhou Trade Center, Taizhou Trade Center and Panzhihua Trade Center respectively. Taizhou City is an important city of the Yangtze River economic belt, and the center city of Yangtze River Delta and the main hub city for the implementation of the "one belt and one road" strategy and the co-ordination of the river-and-sea transportation. At the same time, Panzhihua City, located on the Yangtze River economic belt, "one belt and one road", the ASEAN Free Trade Zone and the China-India-Bengal-Burma economic cooperation corridor, boasts a unique geographical position and opens the southern gateway of Sichuan Province. Besides, our Group entered into a memorandum of understanding with a Thail party regarding the establishment of a project company for the development of trade center projects in Bangkok, Thailand. As the center of Southeast Asia and the entrance to ASEAN, Thailand is in support of the Chinese government's "one belt and one road" proposal. So far, we have done thorough preliminary research into the Thai market and our first overseas project will be officially launched. This overseas project will lay solid foundation for more overseas investment by us in the future and will contribute to the interest of the Group and our shareholders as a whole.

Development of the E-Commerce Platform

According to the *Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business:* the restrictions on the foreign ownership ratio in online data processing and transaction processing (operating e-commerce) business are removed and the foreign equity ratio can reach 100%. With the opening up of the e-commerce area to foreign investment, the development and deepening of the Group's e-commerce business is embraced with favorable factors. During the Period, Mianyang Trade Center of our Group is highly recognized by small and medium businesses through having sufficient communication with them and obtaining deep understanding of their demands, combined with daily maintenance of the trade center area and enrichment and improvement of the content, function and commodity categories of the e-commerce platform. Based on the preliminary achievement of Mianyang Trade Center, the Group intends to build up and promote our own brand of online platform and apply the mode to other trade center projects, helping more and more small and medium businesses to develop their online business combined with their offline resources and leading local entity industry projects towards online sale business.

Prospects

Guided by the new urbanization and the "one belt and one road" strategies, the Group's core business has much room to expand. Our Group will follow the principle of prudence, sustain our existing business model, continue to select important cities with free flow of commodity and trade, favorable policies and other appropriate conditions to expand our trade center projects and seize market opportunities.

In addition, amidst the new economy era of highly innovative focus and "Internet+", we are, with best effort to do so in combination of our advantages, exploring multiple strategies to accelerate business leverage, transformation and extension to realize sustainable growth of the Group in the future. Years of practice in the trade center area enabled us to accumulate and aggregate abundant small and medium businesses resources and resources from consumers in the trade center areas. These valuable offline resources are the great advantages of the Group, and at the same time, the breakthrough point of our exploration into business transformation and leverage. The Group will rely on such advantages to enrich and improve our O2O e-commerce platform, explore maternity-baby-children theme business, launch financial service and exploit "modern logistics + Internet" business so as to build the intellectualized, integrated and coordinated trade center industrial ecosphere and realize the strategy of big platform. It will be the subsequent business development goal of the Group to focus on developing new technology and new service, exert existing advantage while realize the business contribution brought by leverage and extension of our business soon.

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 important contribution and wholehearted commitment.

Wang Jianli
Chairman

Hong Kong, 31 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales performance

During the Period, the Group recorded contracted sales of approximately RMB1,875.8 million and contracted sales area of 287,453 sq.m., representing an increase of 27.4% and 29.2% respectively (six months ended 30 June 2014: approximately RMB1,472.8 million and 222,552 sq.m.). Contracte d sales recorded during the Period were primarily related to the pre-sale of properties for projects in Xingning, Lanzhou and Wuzhou.

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

	For the six months ended 30 June					
	2015			2014		
	Contracted sales area	**Average contracted sales price (before deduction of business tax and surcharges)**	**Contracted sales amount (before deduction of businesstax and surcharges)**	Contracted sales area	Average contracted sales price (before deduction of business tax and surcharges)	Contracted sales amount (before deduction of businesstax 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)					
Xingning Trade Center						
Wholesale trading market units	**147,580**	**6,291**	**928,430**	—	—	—
Lanzhou Trade Center						
Wholesale trading market units	**66,275**	**7,888**	**522,780**	—	—	—
Wuzhou Trade Center						
Wholesale trading market units	**24,969**	**5,332**	**133,143**	33,125	5,735	189,973
Shopping mall	**1,066**	**8,302**	**8,850**	4,899	8,599	42,128
Heze Trade Center						
Wholesale trading market units	**16,540**	**5,865**	**97,002**	28,376	5,539	157,186
Jining Trade Center						
Wholesale trading market units	**12,498**	**4,608**	**57,590**	6,969	5,122	35,697
Residence	**6,795**	**4,387**	**29,810**	—	—	—
Mianyang Trade Center						
Wholesale trading market units	**7,099**	**7,289**	**51,744**	93,631	6,828	639,270
Ganzhou Trade Center						
Wholesale trading market units	**2,989**	**10,383**	**31,036**	3,284	9,689	31,818
Shopping mall	**—**	**—**	**—**	47,734	7,250	346,065
Yulin Trade Center						
Wholesale trading market units	**712**	**5,971**	**4,251**	667	5,241	3,496
Shopping mall	**930**	**12,055**	**11,211**	3,687	7,226	26,644
Ningxiang Trade Center						
Serviced apartments	**—**	**—**	**—**	180	2,917	525
Total	**287,453**	**6,526**	**1,875,847**	222,552	6,618	1,472,802

Land acquisition and land bank

During the Period, we have acquired land-use rights with an aggregate site area of approximately 0.7 million sq.m., which is expected to have an aggregate estimated gross floor area ("**GFA**") of approximately 0.9 million sq.m.. As of 30 June 2015, we had a total land bank of approximately 10.4 million sq.m., and we were simultaneously developing 13 projects in 9 provinces and autonomous regions in China.

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

	Actual GFA of completed properties *(sq.m.)*	Estimated GFA of properties under development *(sq.m.)*	Estimated GFA of properties planned for future development *(sq.m.)*	Total GFA with land use rights *(sq.m.)*	Total GFA of properties delivered *(sq.m.)*	Land bank *(sq.m.)*
Ganzhou Trade Center	633,866	142,921	2,763,953	3,540,740	538,522	3,002,218
Lanzhou Trade Center	N/A	561,824	916,407	1,478,231	N/A	1,478,231
Wuzhou Trade Center	112,762	359,374	612,880	1,085,016	1,928	1,083,088
Xingning Trade Center	91,335	320,343	663,077	1,074,755	37,709	1,037,046
Bengbu Commercial and Residential Project	N/A	N/A	962,222	962,222	N/A	962,222
Jining Trade Center	561,805	301,984	338,250	1,202,039	408,429	793,610
Heze Trade Center	247,166	N/A	382,352	629,518	64,628	564,890
Yulin Trade Center	282,631	N/A	413,174	695,805	175,394	520,411
Yantai Trade Center	N/A	154,212	191,228	345,440	N/A	345,440
Mianyang Trade Center	479,026	N/A	136,404	615,430	350,090	265,340
Jiamusi Trade Center	N/A	N/A	191,000	191,000	N/A	191,000
Ningxiang Trade Center	381,949	61,518	N/A	443,467	280,422	163,045
Haode Yinzuo	48,650	N/A	N/A	48,650	38,779	9,871
Total	2,839,190	1,902,176	7,570,947	12,312,313	1,895,901	10,416,412

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 intersect in Ganzhou, which are the Jing-Jiu Railway and the Gan-Long Railway.

Ganzhou Trade Center covers a net land area of approximately 1,475,298 sq.m., which is estimated to consist of several phases, and is estimated to have a total GFA of approximately 3.5 million sq.m. when fully completed. As of 30 June 2015, we had acquired all the land-use rights for this trade center project.

As of 30 June 2015, for this trade center project, we had completed the construction of wholesale trading markets and shopping malls. We were constructing a food street and additional shopping malls, and had a commercial and exhibition center, additional shopping malls, warehouses, supporting buildings and facilities, office buildings, a residential area, hotels and additional wholesale trading markets planned for future development at this trade center project.

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 National Road 312 and the north of National Road 309, and is approximately 15 kilometers from downtown Lanzhou City, 20 kilometers and 80 kilometers from the railway station and airport of Lanzhou City, respectively.

Lanzhou Trade Center is planned to cover a site area of approximately 4.0 million sq.m. and has an aggregate estimated GFA of approximately 6.0 million sq.m. which is expected to be developed in several phases. As of 30 June 2015, we had acquired the land-use rights for all of Phase I encompassing a total site area of 1,007,941 sq.m. with a total planned GFA of 1,478,231 sq.m. upon completion.

As of 30 June 2015, for this trade center project, we were constructing wholesale trading markets and a commercial pedestrian street, and had shopping malls, a hotel, an office building, warehouses, and additional wholesale trading markets planned for future development.

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 several phases. As of 30 June 2015, we had acquired land-use rights for all of Phase I encompassing a total site area of 599,642 sq.m. with a total planned GFA of 1,085,016 sq.m. upon full completion of the Phase I development.

As of 30 June 2015, for this trade center project, we had completed the construction of a commercial and exhibition center, were constructing certain supporting buildings and facilities, wholesale trading markets and shopping malls, and had a residential area, an office building, serviced apartments and a hotel planned for future development.

Xingning Trade Center

Xingning Trade Center is located at the northeast of the Xingning train station in Diaofang. Xingning is a city governed by Meizhou city, situated in the northeast Guangdong province near Jiangxi and Fujian provinces, which is accessible by major national highways connecting Guangdong and various other provinces in China.

Xingning Trade Center is planned to cover a site area of approximately 1.3 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m. which is expected to be developed in several phases. As of 30 June 2015, we had acquired land-use right for a portion of Phase I encompassing a total site area of 731,569 sq.m. with a total planned GFA of approximately 1,074,755 sq.m. upon completion of development.

As of 30 June 2015, for this trade center project, we had completed the construction of wholesale trading markets, serviced apartments and certain supporting buildings and facilities, were constructing shopping malls and additional wholesale trading markets, and had a hotel, a residential area, an office building, additional wholesale trading markets and shopping malls planned for future development.

Bengbu Commercial and Residential Project

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

Bengbu Commercial and Residential Project covers a net land area of approximately 363,737 sq.m., which is expected to be developed in several phrases, and is estimated to have a total GFA of approximately 962,222 sq.m. when fully completed. As of 30 June 2015, we had acquired all the land-use rights for this commercial and residential project.

As of 30 June 2015, for this commercial and residential project, we had a residential area, a commercial center, a hotel and certain supporting buildings and facilities planned for future development.

Jining Trade Center

Jining Trade Center is located approximately 6 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 10 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 several phases. As of 30 June 2015, we had acquired land-use rights for all of Phase I and Phase II encompassing a total site area of 975,863 sq.m. with a total planned GFA of 1,202,039 sq.m. upon full completion of Phase I and Phase II.

As of 30 June 2015, for this trade center project, we had completed the construction of wholesale trading markets and a shopping mall, were constructing a commercial center, a hotel, an office building, a residential area and a commercial and exhibition center, and had warehouses, serviced apartments and office buildings planned for future development at this trade center project.

Heze Trade Center

Heze Trade Center is located in the city's central Mudan District along National Highway 220 and is approximately two kilometers from Heze's city center.

Heze Trade Center is planned to cover a site area of approximately 8.0 million sq.m. and has an aggregate estimated GFA of approximately 12.0 million sq.m. which is expected to be developed in several phases. As of 30 June 2015, we had acquired land-use rights for all of Phase I and a portion of Phase II encompassing a total site area of 587,239 sq.m. with a total planned GFA of approximately 629,518 sq.m. upon completion of the Phase I and Phase II development.

As of 30 June 2015, for this trade center project, we had completed the construction of the wholesale trading markets and certain supporting buildings and facilities, and had shopping malls, office buildings, serviced apartments, a residential area, and additional wholesale trading markets planned for future development.

Yulin Trade Center

Yulin Trade Center is located approximately 2 kilometers from Yulin, the fourth largest city in Guangxi, located along the border in Guangdong province. The trade center's northern edge is bounded by Yulin Second Ring Road. It is 3 kilometers from Guang-Kun Freeway and is within 10 kilometers of Yulin train station.

Yulin Trade Center is planned to cover a site area of approximately 1.2 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in several phases. As of 30 June 2015, we had acquired land-use rights for all of Phase I, Phase II and a portion of Phase III encompassing a total site area of 523,887 sq.m. with a total planned GFA of approximately 695,805 sq.m. upon full completion of Phase I, Phase II and Phase III development.

As of 30 June 2015, for this trade enter project, we had completed the construction of the wholesale trading markets and shopping malls, and had additional wholesale trading markets, serviced apartments, a commercial and exhibition center, a residential area and additional wholesale trading markets planned for future development.

Yantai Trade Center

Yantai Trade Center is located in southern Zhifu district of Yantai City, west of Shenhai Highway, 9 kilometers north of Yantai railway station, east of the Yantai wharf and 9.5 kilometers south of the Laishan International Airport and Rongwu Highway. The location of Yantai Trade Center has exceptional geographical and transportation advantages.

Yantai Trade Center is planned to cover a site area of approximately 1.3 million sq.m. and has an aggregate estimated GFA of approximately 2.4 million sq.m. which is expected to be developed in several phases. As of 30 June 2015, we had acquired land-use rights for all of Phase I encompassing a total site area of 160,056 sq.m. with a total planned GFA of 345,440 sq.m. upon completion.

As of 30 June 2015, for this trade center project, we were constructing shopping malls and certain supporting buildings and facilities, and had wholesale trading markets, an office building and serviced apartments planned for future development.

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 connects Sichuan province and western and northern China.

Mianyang Trade Center covers a net land area of approximately 605,084 sq.m., which is expected to be developed in several al phases, and is estimated to have a total GFA of approximately 615,430 sq.m. when fully completed. As of 30 June 2015, we had acquired all the land-use rights for this trade center project.

As of 30 June 2015, for this trade center project, we had completed the construction of wholesale trading markets, a commercial pedestrian street and certain supporting buildings and facilities, and had additional wholesale trading markets and a hotel planned for future development.

Jiamusi Trade Center

Jiamusi Trade Center is located in Jiamusi City, the core city and transportation hub in eastern Heilongjiang. It is located approximately 10 kilometers west of Jiamusi's city hall, in the north of Youyi Road (the urban main road) and 1 kilometer from Ha-Tong Freeway.

Jiamusi Trade Center is estimated to cover a site area of approximately 2.0 million sq.m., and has an aggregate estimated GFA of approximately 3.0 million sq.m., which is expected to be developed in several phrases. As of 30 June 2015, we had acquired land use rights for the portion of land under Phrase I encompassing a total site area of 160,457 sq.m., with a total planned GFA of 191,100 sq.m..

As of 30 June 2015, for this trade center project, we had wholesale trading markets, shopping malls, a hotel and certain supporting buildings and facilities planned for future development.

Ningxiang Trade Center

Ningxiang Trade Center is located approximately 3 kilometers west of Ningxiang's city center, a County in Changsha, which is the capital of Hunan province. Highway 319 runs along the eastern edge of the Ningxiang Trade Center and provides Ningxiang with convenient access to other key cities in Hunan, such as Changsha, Zhuzhou and Xiangtan.

Ningxiang Trade Center is planned to cover a site area of 1.3 million sq.m., and has an aggregate estimated GFA of approximately 1.2 million sq.m., which is expected to be developed in several phases. As of 30 June 2015, we had acquired land-use rights for all of Phase I encompassing a total site area of 301,387 sq.m. with a total planned GFA of 443,467 sq.m. upon full completion of Phase I.

As of 30 June 2015, for this trade center project, we had completed the construction of wholesale trading markets, a freight-forwarding market, a commercial and exhibition center, warehouses, a bus terminal and information center, serviced apartments and had a hotel under construction at this trade center project.

FINANCIAL REVIEW

Turnover

Turnover decreased by RMB23.9 million, or 2.5%, from RMB974.1 million for the six months ended 30 June 2014 to RMB950.2 million for the Period. This decrease was primarily caused by the decrease in revenue from sales of properties. The following table sets forth the details of turnover during the periods indicated.

	For the six months ended 30 June			
	2015		2014	
	Turnover *(RMB'000)*	*%*	Turnover *(RMB'000)*	*%*
Sales of properties	**926,625**	**97.5**	964,432	99.0
Property management services	**12,551**	**1.3**	6,861	0.7
Rental income	**10,660**	**1.1**	2,822	0.3
Advertising income	**329**	**0.1**	—	—
Total	**950,165**	**100.0**	974,115	100.0

Sales of Properties

Revenue from the sales of properties decreased by RMB37.8 million, or 3.9%, from RMB964.4 million for the six months ended 30 June 2014 to RMB926.6 million for the Period. The decrease of sales of properties was in line with the decrease in the GFA of properties sold, which decreased by 5,608 sq.m., or 4.0%, from 139,116 sq.m. for the six months ended 30 June 2014 to 133,508 sq.m. for the Period. The decrease of the GFA of properties sold was mainly due to the Group's prudent sales strategy adopted to cope with the complex and volatile environment. Our revenue for the Period was primarily derived from the sales of wholesale trading market units at our Ganzhou Trade Center, Xingning Trade Center, Mianyang Trade Center, Heze Trade Center, and from the sales of shopping mall at our Ganzhou Trade Center.

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

	For the six months ended 30 June					
	2015			2014		
	GFA	**Average sales price**	**Revenue**	GFA	Average sales price	Revenue
	GFA in sq.m., average sales price in RMB per sq.m. and turnover in thousands of RMB					
Ganzhou Trade Center						
Wholesale trading market units	**33,885**	**8,499**	**288,004**	56,442	8,014	452,315
Shopping mall	**11,020**	**10,118**	**111,498**	—	—	—
Subtotal	**44,905**	**8,897**	**399,502**	56,442	8,014	452,315
Xingning Trade Center						
Wholesale trading market units	**37,709**	**6,045**	**227,949**	—	—	—
Subtotal	**37,709**	**6,045**	**227,949**	—	—	—
Mianyang Trade Center						
Wholesale trading market units	**14,720**	**6,410**	**94,362**	34,559	6,797	234,898
Subtotal	**14,720**	**6,410**	**94,362**	34,559	6,797	234,898
Heze Trade Center						
Wholesale trading market units	**16,645**	**5,626**	**93,647**	—	—	—
Subtotal	**16,645**	**5,626**	**93,647**	—	—	—
Jining Trade Center						
Wholesale trading market units	**12,770**	**4,452**	**56,855**	24,304	4,418	107,366
Subtotal	**12,770**	**4,452**	**56,855**	24,304	4,418	107,366
Yulin Trade Center						
Wholesale trading market units	**2,407**	**5,256**	**12,651**	4,488	4,979	22,345
Shopping mall	**1,951**	**11,473**	**22,384**	16,860	8,183	137,966
Subtotal	**4,358**	**8,039**	**35,035**	21,348	7,509	160,311
Wuzhou Trade Center						
Shopping mall	**1,928**	**8,595**	**16,571**	—	—	—
Subtotal	**1,928**	**8,595**	**16,571**	—	—	—

	For the six months ended 30 June					
	2015			2014		
	GFA	**Average sales price**	**Revenue**	GFA	Average sales price	Revenue
	GFA in sq.m., average sales price in RMB per sq.m. and turnover in thousands of RMB					
Ningxiang Trade Center						
Wholesale trading market units	**—**	**—**	**—**	2,367	3,920	9,279
Serviced apartments	**—**	**—**	**—**	96	2,740	263
Subtotal	**—**	**—**	**—**	2,463	3,874	9,542
Other Properties						
Haode Yinzuo	**473**	**5,717**	**2,704**	—	—	—
Subtotal	**473**	**5,717**	**2,704**	—	—	—
Total	**133,508**	**6,941**	**926,625**	139,116	6,933	964,432

Property Management Services

Revenue from property management services increased by RMB5.7 million, from RMB6.9 million for the six months ended 30 June 2014 to RMB12.6 million for the Period. This increase primarily reflected the continued expansion of our property management portfolio.

Rental Income

Revenue from rental income increased by RMB7.9 million, or 282.1%, from RMB2.8 million for the six months ended 30 June 2014 to RMB10.7 million for the Period. The increase was primarily due to the increase in leasing area.

Gross Profit and Margin

Gross profit decreased by RMB181.7 million, or 29.3%, from RMB619.9 million for the six months ended 30 June 2014 to RMB438.2 million for the Period. Our gross profit margin decreased from 63.6% for the six months ended 30 June 2014 to 46.1% for the Period. The decrease in gross profit was in line with the decrease in gross profit margin which was resulted from the change in product mix.

Other Revenue

Other revenue increased by RMB60.5 million from RMB3.6 million for the six months ended 30 June 2014 to RMB64.1 million for the Period. Other revenue mainly represents the government grants related to investment properties recognised in profit or loss of RMB59.7 million during the Period (six months ended 30 June 2014: RMB Nil), which was previously recorded as deferred income, and dividend income of RMB3.6 million for the Period (six months ended 30 June 2014: RMB3.2 million) in connection with a 10% minority investment made to the local rural credit cooperative institution in Mianyang, Sichuan province.

Other Net Income

Other net income for the Period mainly represents net gains on disposal of available-for-sale investments, which are investments in quoted funds and unlisted wealth management products issued by banks, financial institutions or asset management companies based on the Company's treasury policy.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB9.9 million, or 13.6%, from RMB72.9 million for the six months ended 30 June 2014 to RMB82.8 million for the Period. The increase primarily reflected an increase in the number of properties that were pre-sold during the Period.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by RMB21.2 million, or 9.7%, from RMB218.3 million for the six months ended 30 June 2014 to RMB239.5 million for the Period. The increase was primarily due to a significantly higher level of administrative expenses incurred to support our growing operational scale during the Period.

Fair Value Gain upon Transfer of Completed Properties Held for Sale to Investment Properties

During the Period, the Group transferred certain completed properties held for sale to investment properties since there was an actual change in use from sale to earning rental income purpose. The Group's investment properties carried at fair value were firstly valued as at 30 June 2015 on investment approach (income approach) and direct comparison approach by Savills. For the six months ended 30 June 2015, the Group recorded a fair value gain of RMB277.6 million (six months ended 30 June 2014: RMB Nil) upon transfer.

Fair Value Change on Embedded Derivative Component of the Convertible Notes

On 23 January 2015, the Company issued convertible notes in an aggregate principal amount of US dollars ("US$") 120 million due 23 January 2020. The convertible notes bear interest at 7.00% per annum payable semi-annually. Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the convertible notes at 137.48% of its principal amount on the Maturity Date. In accordance with the terms and conditions of the convertible notes, the Company shall give the convertible notes holder an internal rate of return of 13% upon redemption of the convertible notes under certain circumstances. The conversion option and the redemption option are considered as embedded derivative component of the convertible notes and revalued at each reporting date. For the six months ended 30 June 2015, the Group recorded a fair value gain amounting to RMB59.3 million (six months ended 30 June 2014: RMB Nil).

Finance Income

Our finance income was generated from the interest of bank deposit. There was no significant fluctuation for the finance income for the Period compared to the finance income for the six months ended 30 June 2014.

Finance Costs

Our finance costs increased by RMB64.5 million from RMB0.8 million for the six months ended 30 June 2014 to RMB65.3 million for the Period. The increase was primarily due to an increase in bank loans and convertible notes issued during the Period to finance the business operation and development, which in turn increased the interest expenses. Substantially all of the interest expenses paid on bank loans for the Period were capitalized into properties under development.

Income Tax

Our income tax expense increased by RMB26.3 million, from RMB153.1 million for the six months ended 30 June 2014 to RMB179.4 million for the Period. Such increase was mainly due to the increase in deferred tax assets arising from temporary differences of fair value change on investment properties.

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

As a result of the foregoing, our profit increased by RMB61.6 million, or 28.1%, from RMB219.1 million for the six months ended 30 June 2014 to RMB280.7 million for the Period. Our profit attributable to equity shareholders of the Company increased by RMB50.2 million, or 22.7%, from RMB220.9 million for the six months ended 30 June 2014 to RMB271.1 million for the Period.

Restricted Cash

Restricted cash amounted to RMB248.3 million as of 30 June 2015 compared to RMB198.2 million as of 31 December 2014. Our restricted cash as of 30 June 2015 primarily represented the cash we pledged to commercial banks for relevant mortgage facilities granted to our customers for the purpose of purchasing properties by our customers. Such pledged cash generally represents 2-10% of the total credit provided by commercial banks. The increase in our restricted cash as of 30 June 2015 primarily reflected the increase in property sales obtaining mortgage loans provided by commercial banks to our customers which are subject to the cash pledge arrangement described above during the Period.

Liquidity and Capital Resources

Our primary uses of cash are to pay for construction costs and land acquisition costs, fund working capital, service our indebtedness, purchase property, plant and equipment for our own use, and other regular business operation needs. To date, we have primarily financed our operational expenditures through internally generated cash flows including proceeds from the pre-sale and sales of properties, borrowings from commercial banks and other lenders, proceeds from our initial public offering and convertible notes issuance.

Bank loans and other borrowings

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

	At 30 June 2015 ***(RMB'000)***	At 31 December 2014 *(RMB'000)*
Current		
Secured		
– short term bank loans and other borrowings	**200,000**	145,000
– current portion of secured non-current bank loans and other borrowings	**601,150**	224,500
Subtotal	**801,150**	369,500
Non-current		
Secured		
Repayable after 1 year but within 2 years	**347,260**	399,230
Repayable after 2 years but within 5 years	**846,740**	793,370
Subtotal	**1,194,000**	1,192,600
Total	**1,995,150**	1,562,100

As of 30 June 2015, the bank loans and other borrowings are all denominated in Renminbi, of which RMB452,000,000 (31 December 2014: RMB417,000,000) bear fixed rates and the remainder bear variable interest rates.

Bank loans and other borrowings bear interest rates ranging from 5.75% to 10.23% per annum for the Period (2014: 6.40% to 10.23%) and are secured by the following assets:

	At 30 June 2015 *(RMB'000)*	At 31 December 2014 *(RMB'000)*
Properties under development for sale	**1,491,595**	981,722
Completed properties held for sale	**923,798**	904,770
Properties held for future development for sale	**399,687**	252,088
Investment properties	**174,400**	—
Total	**2,989,480**	2,138,580

CONTINGENT LIABILITIES

We make arrangements with PRC commercial banks so that such banks may provide mortgage facilities to our customers to purchase our properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for such mortgages are generally discharged at the earlier of: (i) the due registration of the mortgage interest held by the commercial bank upon the subject property, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan with any accrued and unpaid interest and penalty based on the loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of 30 June 2015, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,648.4 million.

COMMITMENTS

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

	At 30 June 2015 *(RMB'000)*	At 31 December 2014 *(RMB'000)*
Construction and development contracts	**2,044,019**	1,926,765
Land agreements	**178,850**	330,588
Total	**2,222,869**	2,257,353

KEY FINANCIAL RATIOS

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

	At 30 June 2015	At 31 December 2014
Current ratio (1)	**1.69**	1.76
Gearing ratio (2)	**19.8%**	13.2%
Net gearing ratio (3)	**23.0%**	Net cash

Notes:

(1) Our current ratio is calculated by dividing current assets by current liabilities as of the end of the respective reporting period.

(2) Our gearing ratio is calculated as the Group's total interest bearing borrowings as of the respective reporting period (includes bank loans and other borrowings and convertible notes) divided by total assets as of the end of the respective reporting period and multiplying by 100%.

(3) Our net gearing ratio is calculated as the Group's net debt (aggregated bank loans and other borrowings and convertible notes net of cash and cash equivalents and restricted cash) divided by the total equity of the Group as of the end of the respective reporting period and multiplying by 100%.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISK

Reflecting the nature of our property development, investment and management operations, we are exposed to various financial risks in the normal course of our business. However, our sales were primarily denominated in RMB, being the functional currency of our major operating subsidiaries; therefore, our Board expects the future exchange rate fluctuation will not have any material effect on our business. We did not use any financial instruments for hedging purpose.

RESTRICTION ON SALES

As of 30 June 2015, we were simultaneously developing 13 projects in 9 provinces and autonomous regions in China. Under the terms of certain master investment agreements with local government authorities regarding the development of trade centers, such as our agreements in relation to Ningxiang, Mianyang and Ganzhou Trade Centers, we are required to maintain a certain portion of the trade center properties, typically 20%-30% in terms of GFA, for self-use or leasing purpose. We believe that such requirement is in line with our overall development plan for these projects. Except for the conditions mentioned above, there is no restriction on sales of the land acquired by the Group.

HUMAN RESOURCES

As of 30 June 2015, the Group had a workforce of 2,346 people. The number of staff had decreased by 1.9% since 31 December 2014. The total employee benefit expenses for the Period amounted to RMB170.4 million, increased by 18.8% (six months ended 30 June 2014: RMB143.4 million). We actively recruit skilled and qualified personnel in the Chinese local markets, including students newly graduated from universities as well as employees with relevant work experience. For the senior management team and selected management positions, we may also seek to recruit personnel with international experience. The remuneration package of our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raises, bonuses and promotion. As of 30 June 2015, the number of outstanding share options granted by the Company to its directors and employees is 66,055,000 shares.

CORPORATE GOVERNANCE

The Board is of the opinion that the Company had complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "**Securities Dealing Code**").The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry to all Directors, the Directors have complied with the required standard set out in the Model Code during the Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") was set up on 27 September 2013 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules and the roles and responsibilities delegated to the Audit Committee by the Board. The Audit Committee currently consists of two independent non-executive Directors, Mr. Lam, Chi Yuen Nelson (being the chairman of the Audit Committee) and Mr. Zhao Lihua, and one non-executive Director, Mr. Yuan Bing. The primary duties of the Audit Committee are to review the financial information of the Company, to oversee the financial reporting process and internal control system of the Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor and perform other duties and responsibilities assigned by the Board. The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2015, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The interim financial report for the period ended 30 June 2015 is unaudited, but has been reviewed by our auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

ISSUE OF 7.00% CONVERTIBLE NOTES DUE 2020

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

As at the date of this announcement, the total outstanding principal amount of the Notes is US$120,000,000.

Under the terms and conditions of the Notes, an adjustment was made to the conversion price of the Notes as a result of the Final Dividend from HK$1.956 per Share to HK$1.884 per share effective from 20 May 2015, being the ex-entitlement day (the "**Adjustment**"). Apart from the Adjustment, there is no change in the terms and conditions of the Notes. The maximum number of shares that will be issued upon conversion of all the outstanding notes at the previous conversion price and the adjusted conversion price is 475,742,331 shares and 493,923,567 shares respectively, representing an increase of 18,181,236 shares (the "**Additional Conversion Shares**") issuable under the Notes. The Additional Conversion Shares will be issued pursuant to the general mandate granted to the directors of the Company by the shareholders pursuant to an ordinary resolution passed at the general meeting of the Company held on 13 May 2014.

Please refer to the Company's announcements dated 9 January 2015, 26 January 2015, 7 July 2015 and its annual report for the year ended 31 December 2014 for details on the Notes.

THE BOARD OF DIRECTORS

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

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

This interim results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.hydoo.com.cn**. The 2015 Interim Report will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By order of the Board
Hydoo International Holding Limited
Wang Jianli
Chairman

For the purpose of this announcement, the exchange rate of US\$1 = HK\$7.7546 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

Hong Kong, 31 August 2015

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