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 2017

INTERIM RESULTS

The board of directors (the "**Board**") of Hydoo International Holding Limited (the "**Company**" or "**Hydoo**") hereby announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017 (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 2017 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
Revenue	4	**726,330**	579,133
Cost of sales		**(463,931)**	(237,840)
Gross profit		**262,399**	341,293
Other income	5	**125,822**	6,684
Selling and distribution expenses		**(61,435)**	(73,775)
Administrative and other operating expenses		**(191,920)**	(226,930)
Profit from operations before fair value gain on investment properties		**134,866**	47,272
Fair value gain on investment properties	9	**222,932**	335,924
Profit from operations after fair value gain on investment properties		**357,798**	383,196
Share of loss of a joint venture		**(1,062)**	(639)
Fair value change on embedded derivative component of the convertible notes		**—**	(656)
Loss on early redemption of convertible notes		**—**	(6,747)
Finance income	6(a)	**3,562**	4,770
Finance costs	6(a)	**(148,313)**	(123,533)
Profit before taxation	6	**211,985**	256,391
Income tax	7	**(160,953)**	(94,922)
Profit for the period		**51,032**	161,469
Attributable to:			
Equity shareholders of the Company		**44,618**	160,641
Non-controlling interests		**6,414**	828
Profit for the period		**51,032**	161,469
Earnings per share	8		
Basic (RMB cents)		**1.1**	4.0
Diluted (RMB cents)		**1.1**	4.0

Details of dividends to equity shareholders of the Company are set out in note 14(a).

Consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2017 - unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period	**51,032**	161,469
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	**36,942**	(11,787)
Other comprehensive income for the period	**36,942**	(11,787)
Total comprehensive income for the period	**87,974**	149,682
Attributable to:		
Equity shareholders of the Company	**81,560**	148,854
Non-controlling interests	**6,414**	828
Total comprehensive income for the period	**87,974**	149,682

Consolidated statement of financial position

at 30 June 2017 - unaudited

(Expressed in Renminbi)

	Note	**30 June 2017** *RMB'000*	31 December 2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**462,229**	472,958
Investment properties	9	**1,941,400**	1,520,800
Intangible assets		**18,433**	2,956
Goodwill		**2,252**	3,631
Interest in joint venture		**148,332**	149,394
Other non-current financial assets		**111,273**	180,131
Deferred tax assets		**251,182**	247,050
Finance lease receivables		**19,255**	26,672
		2,954,356	2,603,592
Current assets			
Inventories		**9,673,905**	9,180,960
Prepaid tax		**113,115**	105,321
Trade and other receivables, prepayments and deposits	10	**1,391,255**	1,550,738
Other current assets		**30,000**	—
Restricted cash		**844,078**	1,045,848
Cash and cash equivalents		**976,345**	965,685
		13,028,698	12,848,552
Current liabilities			
Trade and other payables	11	**4,362,074**	4,084,024
Bank loans and other borrowings		**1,455,082**	1,308,053
Current tax liabilities		**894,097**	1,066,635
Deferred income		**864,775**	860,994
		7,576,028	7,319,706
Net current assets		**5,452,670**	5,528,846
Total assets less current liabilities		**8,407,026**	8,132,438

	Note	30 June 2017 RMB'000	31 December 2016 RMB'000
Non-current liabilities			
Bank loans and other borrowings		**1,392,351**	1,477,510
Senior notes	12	**1,485,028**	1,519,351
Corporate bonds	13	**266,103**	9,674
Deferred income		**3,334**	3,804
Deferred tax liabilities		**58,186**	14,815
		3,205,002	3,025,154
NET ASSETS		**5,202,024**	5,107,284
CAPITAL AND RESERVES	14		
Share capital		**31,825**	31,825
Reserves		**4,933,828**	4,852,252
Total equity attributable to equity shareholders of the Company		**4,965,653**	4,884,077
Non-controlling interests		**236,371**	223,207
TOTAL EQUITY		**5,202,024**	5,107,284

Notes

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2017 but are extracted from that financial report.

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 28 August 2017.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 Hong Kong Institute of Certified Public Accountants.

2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

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 Revenue

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

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales of properties	**676,091**	537,149
Property management services	**26,921**	19,949
Rental income	**15,455**	19,757
Others	**7,863**	2,278
	726,330	579,133

5 Other income

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Dividend income	**—**	1,308
Government grants (i)	**2,222**	1,939
Fair value (loss)/gain on financial derivatives	**(2,986)**	2,209
Net gain on disposal of other current assets	**314**	277
Net gain on disposal of other non-current financial assets (ii)	**123,436**	—
Net gain/(loss) on disposal of property, plant and equipment	**452**	(14)
Others	**2,384**	965
	125,822	6,684

(i) During the six months ended 30 June 2017, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties (note 9). The related government grants of RMB1,321,000 (six months ended 30 June 2016: Nil) previously recorded as deferred income were recognised in profit or loss as other income during the period.

(ii) During the Period, the Group completed the disposal of its beneficial equity interest in Shenzhen Qian Hai International Energy Financial Center Co., Ltd. for a total consideration of RMB203,436,000. This resulted in a net gain on disposal of RMB123,436,000.

6 Profit before taxation

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

(a) Finance income and finance costs:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Finance income		
Interest income	**(3,562)**	(4,770)
Finance costs		
Interest on bank loans and other borrowings	**71,453**	85,813
Interest on corporate bonds	**5,051**	67
Interest on convertible notes	**—**	45,665
Interest on senior notes	**99,414**	48,117
	175,918	179,662
Less: Interest expenses capitalised into properties under development	**(35,833)**	(61,031)
	140,085	118,631
Net foreign exchange loss	**8,228**	4,902
	148,313	123,533

(b) Other items:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Depreciation and amortisation	**17,723**	16,148
Impairment losses/(reversal of impairment losses)		
– trade and other receivables (note 10)	**(453)**	—
– property, plant and equipment	**1,090**	—
– intangible assets	**259**	—
– inventory	**497**	—
Write off on goodwill	**1,379**	—
Reversal of over-accrued estimated compensation in relation to a sub-lease arrangement (note 11)	**(34,258)**	—
Operating lease charges	**4,417**	28,933
Cost of properties sold (i)	**438,303**	200,919
Equity settled share-based payments	**16**	169

(i) Cost of properties sold is after netting off benefits from government grants of RMB120,991,000 (six months ended 30 June 2016: RMB98,057,000).

7 Income tax

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**PRC CIT**")	**32,138**	40,515
PRC Land Appreciation Tax ("**PRC LAT**")	**89,576**	41,264
	121,714	81,779
Deferred tax		
Origination and reversal of temporary differences	**39,239**	13,143
	160,953	94,922

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

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

(c) PRC CIT

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

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

In December 2015, Wuzhou Hydoo Commercial and Trade Centre Development Co., Ltd. was also approved to enjoy a preferential PRC CIT rate of 15% for the years from 2015 to 2020 according to a tax notice issued by the local tax bureau.

The preferential tax treatment was based on various tax rules and regulations in relation to PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

(d) PRC LAT

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

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

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

(e) PRC dividend withholding tax

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

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of RMB44,618,000 (six months ended 30 June 2016: RMB160,641,000) and the weighted average of 4,014,844,000 ordinary shares (six months ended 30 June 2016: 4,014,844,000 ordinary shares).

(b) Diluted earnings per share

For the six months ended 30 June 2017 and 2016, the effect of both deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration and conversion of convertible notes was anti-dilutive.

9 Investment properties

During the six months ended 30 June 2017, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties since there was a change in use from sale to earning rental income purpose.

The Group's investment properties carried at fair value were revalued as at 30 June 2017 by Savills Valuation and Professional Services Limited ("**Savills**"), an independent firm of surveyors. The valuation was carried out by Savills with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc., between the comparable properties and the subject property.

A fair value gain of RMB227,605,000 (six months ended 30 June 2016: RMB335,724,000) upon the transfer, and a loss in fair value of RMB4,673,000 (six months ended 30 June 2016: gain of RMB200,000) in respect of existing investment properties with the total corresponding deferred tax of RMB56,693,000 (six months ended 30 June 2016: RMB50,199,000), had been recognised in the consolidated statement of profit or loss for the Period.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB417,900,000 (31 December 2016: RMB41,900,000).

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

10 Trade and other receivables, prepayments and deposits

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade and bill receivables	**46,857**	48,431
Less: allowance for doubtful debts	**(6,772)**	(7,225)
	40,085	41,206
Prepaid PRC value added tax and other taxes	**103,298**	99,530
Deposits, prepayments and other receivables	**1,175,731**	1,350,171
Amount due from a joint venture	**18,432**	18,874
Finance lease receivables	**53,709**	40,957
	1,391,255	1,550,738

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 2017	31 December 2016
	RMB'000	*RMB'000*
Within 1 month	**23,115**	32,943
1 to 3 months	**2,841**	2,378
3 to 6 months	**3,118**	2,125
Over 6 months	**11,011**	3,760
	40,085	41,206

Trade and bill 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.

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.

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

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

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

At 30 June 2017, trade and other receivables of RMB6,772,000 (31 December 2016: RMB7,225,000) were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB6,772,000 (31 December 2016: RMB7,225,000) were recognised.

11 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 2017	31 December 2016
	RMB'000	*RMB'000*
Due within 1 month or on demand	**94,336**	446,703
Due after 1 month but within 3 months	**426,346**	101,996
Due after 3 months but within 6 months	**568,424**	420,912
Due after 6 months	**1,307,865**	1,374,199
Trade and bills payables	**2,396,971**	2,343,810
Receipts in advance	**1,468,293**	1,188,327
Other payables and accruals (i)	**496,810**	551,887
	4,362,074	4,084,024

(i) At 31 December 2016, the Group accrued an estimated compensation in relation to a sub-lease arrangement of RMB43,050,000, which included the estimated compensation to the lessor and the lessees of the Group amounted to RMB40,000,000 and RMB3,050,000 respectively. In addition, an unpaid rental of RMB24,258,000 was accrued as at 31 December 2016. Subsequent to the reporting period, the Group agreed with the lessor that the Group needs to pay a total amount of RMB30,000,000, including the abovementioned rental payable, to finalise the case. Accordingly, a reversal of estimated compensation to the lessor of RMB34,258,000 was recorded in profit or loss during this period.

12 Senior notes

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
US$160 million senior notes due in 2018		
– Tranche 1 (i)	**664,622**	676,680
– Tranche 2 (iii)	**415,370**	428,205
US$60 million senior notes due in 2019 (ii)	**405,036**	414,466
	1,485,028	1,519,351

(i) On 15 December 2015, the Company issued senior notes of US$100 million (equivalent to RMB 646,261,000) at 99.404% with a coupon annual rate of 13.75%. The senior notes will be due in 2018. The net proceeds from the senior notes, after deducting the transaction costs, of US$96,500,000 (equivalent to RMB623,642,000) was received by the Company on 16 December 2015. Interest expense on the senior notes is calculated using the effective interest rate of 15.25% per annum.

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

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

13 Corporate bonds

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
HK$11.5 million corporate bonds (i)	**9,495**	9,674
RMB260 million corporate bonds (ii)	**256,608**	—
	266,103	9,674

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

(ii) During the period for the six months ended 30 June 2017, the Group issued certain non-public offering 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.

14 Capital, reserves and dividends

(a) Dividends

The Board have resolved not to declare any interim dividends for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). Dividends paid to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period of Nil per share (six months ended 30 June 2016: HK1.5 cents per share)	**—**	51,470

(b) Share capital

Authorised and issued share capital

	At 30 June 2017		At 31 December 2016	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**8,000,000**	**80,000**	8,000,000	80,000

Ordinary shares, issued and fully paid:

	Par value	**Number of shares**	**Nominal value of ordinary shares**	
	HK$	*'000*	*HK$'000*	*RMB'000*
At 1 January 2016, 31 December 2016 and 30 June 2017	0.01	4,014,844	40,148	31,825

There is no changes in ordinary shares during the six months ended 30 June 2017.

15 Non-adjusting events after the reporting period

On 10 August 2017, the Group entered into the Share Transfer Agreement with a third party, pursuant to which the Group agreed to sell an indirect non-wholly owned subsidiary to the third party, and the third party agreed to acquire from the Group, 60% equity interest in the subsidiary for a consideration of RMB200,000,000. Upon Completion, the Group will cease to hold any equity interest in the subsidiary and the subsidiary will cease to be an indirect non-wholly owned subsidiary of the Group. The subsidiary is principally engaged in the development and operation of a commercial and residential project in Huaiyuan County, Bengbu, Anhui Province, the PRC.

CHAIRMAN'S STATEMENT

Dear shareholders,

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

FINANCIAL RESULTS

During the Period, the Group's revenue and gross profit reached approximately RMB726.3 million and RMB262.4 million, respectively (the revenue and gross profit for the six months ended 30 June 2016: RMB579.1 million and RMB341.3 million, respectively). Basic earnings per share for the Period was RMB1.1 cents (For the six months ended 30 June 2016: RMB4.0 cents).

MARKET AND OPERATION REVIEW

In the first half of 2017, the Chinese economy maintained a medium-to-high growth rate with year-on-year growth in gross domestic product ("**GDP**") of 6.9%, which remained the same as the first quarter of 2017. The Chinese economy was experiencing stable growth, for which consumption was still the most important driving force. In the first half of 2017, total retail sales of consumer goods in China increased by 10.4% year-on-year. The new round of real estate control policies was launched in China based on the principle of "providing guidance by categories, imposing policies by cities", and many cities became subject to various degrees of purchase and lending restrictions. Under such policies, the growth rate of investment in property development of the real estate industry has shown signs of deceleration.

With opportunities arising from the Chinese government's focus on destocking, particularly in the real estate market of the third and fourth tier cities, the Group aimed to make progress whilst maintaining stability and adopted marketing strategies tailored to local conditions. Amid persisting wait-and-see sentiment of buyers, during the Period, the Group recorded contracted sales of approximately RMB1,042.2 million. The Group adjusted the progress of product development in light of the changes in market demand and strategically increased the supply of residential properties and generated revenue therefrom. During the Period, the proportion of the contracted sales of residential properties to the total contracted sales of the Group increased by 18.6% from 11.5% for the six months ended 30 June 2016 to 30.1%.

Whilst destocking, after prudent deliberation and assessment, the Group has achieved breakthroughs in respect of new projects expansion. During the Period, the Group entered into an investment framework agreement with Zhangpu Village, Daya Bay West Street, Huizhou City, China for the cooperation on the development of the Daya Bay International Commercial Center (the "**Daya Bay Project**"). Daya Bay West Street is located in the western part (the "**West Zone**") of the Daya Bay Economic and Technological Development Zone near Pingshan New District, Shenzhen, China. The West Zone is 60 kilometers from downtown Shenzhen and only a 10-minute drive from Shenzhen Pingshan Railway

Station and Huizhou South Railway Station. The Shenshan Expressway also passes through the West Zone, providing convenient transportation. In recent years, the West Zone of Daya Bay experienced rapid development, and large-scale infrastructure construction has commenced. A modern city framework was systematically and effectively built, attracting numerous renowned enterprises and large commercial complex. Benefited from favourable geographical location and business-friendly and liveable ancillary environment, coupled with the influence of shift in demand resulted from purchase restriction in the real estate market in Shenzhen, the property market in Daya Bay has been quite active, showing significant effect of population agglomeration.

In addition, the Group focuses on the development of recurring business to withstand the risk of periodic market fluctuations and to achieve sustainable and stable return. During the Period, the Group's revenue from property management services amounted to approximately RMB26.9 million, representing an increase of 35.2% compared to the six months ended 30 June 2016. Significant growth in revenue of this business segment during the Period was a result of the continuous expansion of our property management services business and the increases in the number and area of properties under our management.

PROSPECT

As the Chinese economy is entering a "new normal", with recent two years of efforts in supply-side reform, there has been apparent improvement of economic structure and transition of momentum. High-end manufacturing, high-end consumption, new industries and driving forces are emerging. In particular, consumption has been the largest engine of economic growth for consecutive years, foreshadowing that the Chinese economy will gradually evolve amid difficult transformations.

We envisage that real estate and investment, being the traditional driving forces, will still play a vital role in the economic development of China. Based on the "13th Five-Year Plan" of the Chinese government, supply-side structural reforms and relevant policies and strategies regarding urbanisation and destocking, we remain cautiously optimistic about the market. With a view to better develop the Group's traditional core businesses, in respect of existing trade center projects, we will continue to maintain stable pace of development and refine cost control; in respect of expansion of new projects, we will actively reach out to potential cities favouring the Group's development and focus on third and fourth tier cities while shifting to and positioning on first and second tier cities with dense population and suitable conditions.

In addition to the aforementioned Daya Bay Project, in July 2017, the Group entered into an investment framework agreement with the government of Nanchang County, Jiangxi Province, China in relation to the development of the Jiangxi International Hardware and Mechanical & Electronic Town (the "**Nanchang Project**"). The Nanchang Project will include the construction of a commercial hub, internet warehousing and logistic areas, a commercial plaza, expo trade areas and residential ancillary areas. Nanchang County is surrounded by central downtown of Nanchang City and is 15 kilometers from downtown Nanchang, with various national highways and expressways passing through. The watercourse of Ganjiang connects directly to Yangtze River. Jingjiu Railway and Zhegan Railway also intersect in Nanchang County. The planned Nanchang metro line 3 will also reach the heart of Nanchang County. Various transportation networks are formed in the county, including highway, air travel, water route, rail lines and metro.

With the deepening of economic reforms in China, in the long term, the driving force of real estate, investment and other traditional drivers may be weakened compared to high-end manufacturing, high-end consumption and other emerging drivers. The Group is committed to building an integrated and modern trade and logistics community with diversified and flexible businesses and services, combining traditional and emerging factors to cope with future economic development trends. We believe that challenges and opportunities co-exist. As traditional core businesses provide the Group with a solid foundation, we will focus on promoting the development of emerging businesses, such as the construction, launch and promotion of O2O integrated trading platform, logistics and warehouse service platform and other information-based and intelligence-based integrated service platforms. Taking full advantage of the Group's physical assets of thousands of small and medium-sized merchants, the Group will generate more income for those merchants through the provision of value-added services. In addition, the Group will also continue its efforts to develop its financial segment and business management segment so as to better complement its traditional businesses and create a new source of profit growth.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our valued shareholders, customers and business partners for their trust and support. I would also like to thank all our staff for their professionalism and wholehearted commitment.

Wang Jianli
Chairman

Hong Kong, 28 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales Performance

During the Period, the Group recorded contracted sales of approximately RMB1,042.2 million and contracted sales area of 213,070 sq.m., representing decreases of 5.3% and 9.3% respectively (six months ended 30 June 2016: approximately RMB1,100.7 million and 234,951 sq.m.). During the Period, key market indicators have shown positive trends for both GDP growth and China Manufacturing Purchasing Managers' Index. In the meanwhile, small and middle sized enterprises remained cautious in investments, and high destocking pressure remained in the commercial property market, posing challenges to the operation of the Group. Contracted sales recorded during the Period were primarily in relation to the pre-sale of properties for projects in Lanzhou, Bengbu, Heze and Jining.

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

	For the six months ended 30 June					
	2017			2016		
	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 business tax, value added tax and surcharges)	Contracted sales amount (before deduction of business tax, 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)					
Lanzhou Trade Center						
Wholesale trading market units	**41,057**	**6,150**	**252,488**	18,046	7,969	143,812
Bengbu Commercial and Residential Project						
Residence	**46,887**	**4,363**	**204,560**	62,205	2,682	166,840

	For the six months ended 30 June					
	2017			2016		
	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 business tax, value added tax and surcharges)	Contracted sales amount (before deduction of business tax, value added tax and surcharges)
	(contracted sales area in sq.m., average contracted sales price in RMB per sq.m. and contracted sales amount in thousands of RMB)					
Heze Trade Center						
Wholesale trading market units	**44,929**	**4,140**	**186,002**	11,534	5,173	59,663
Jining Trade Center						
Wholesale trading market units	**7,409**	**4,196**	**31,090**	4,396	5,070	22,286
Residence	**18,313**	**4,637**	**84,913**	9,235	4,292	39,635
Xingning Trade Center						
Wholesale trading market units	**17,335**	**5,858**	**101,541**	15,495	5,840	90,488
Ningxiang Trade Center						
Serviced apartment	**11,690**	**4,300**	**50,267**	132	2,879	380
Ganzhou Trade Center						
Residence	**5,373**	**4,469**	**24,014**	21,843	3,971	86,734
Wholesale trading market units	**1,793**	**8,305**	**14,891**	281	10,534	2,960
Shopping mall	**—**	**—**	**—**	79	8,253	652
Wuzhou Trade Center						
Wholesale trading market units	**7,951**	**4,754**	**37,799**	25,927	5,516	143,000
Shopping mall	**—**	**—**	**—**	142	3,845	546
Yulin Trade Center						
Wholesale trading market units	**6,828**	**5,032**	**34,360**	62,244	5,169	321,736
Shopping mall	**—**	**—**	**—**	60	13,150	789
Yantai Trade Center						
Wholesale trading market units	**2,270**	**6,366**	**14,450**	2,555	6,917	17,674
Mianyang Trade Center						
Wholesale trading market units	**1,235**	**4,727**	**5,838**	777	4,541	3,528
Total	**213,070**	**4,891**	**1,042,213**	234,951	4,685	1,100,723

Land Acquisition and Land Bank

During the Period, we acquired land-use rights with an aggregate total site area of approximately 65.2 thousands sq.m., which is expected to have an aggregate estimated gross floor area ("**GFA**") of approximately 52.6 thousands sq.m.. As of 30 June 2017, we had a total land bank of approximately 11.4 million sq.m., and we were simultaneously developing 14 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	748,440	309,650	2,351,691	3,409,781	556,178	2,853,603
Lanzhou Trade Center	513,824	22,593	1,842,742	2,379,159	171,230	2,207,929
Xingning Trade Center	296,760	7,097	1,075,204	1,379,061	210,034	1,169,027
Bengbu Commercial and Residential Project	—	236,593	651,694	888,287	—	888,287
Jining Trade Center	680,015	184,563	512,014	1,376,592	499,322	877,270
Wuzhou Trade Center	452,759	—	595,290	1,048,049	227,172	820,877
Heze Trade Center	247,166	54,680	427,787	729,633	152,506	577,127
Yulin Trade Center	350,429	84,616	317,745	752,790	231,853	520,937
Jiamusi Trade Center	—	6,344	483,089	489,433	—	489,433
Yantai Trade Center	141,040	13,172	191,228	345,440	30,238	315,202
Liuzhou Trade Center	—	188,733	111,410	300,143	—	300,143
Mianyang Trade Center	511,435	—	80,321	591,756	381,234	210,522
Ningxiang Trade Center	381,949	61,518	—	443,467	287,744	155,723
Haode Yinzuo	48,650	—	—	48,650	38,780	9,870
Total	**4,372,467**	**1,169,559**	**8,640,215**	**14,182,241**	**2,786,291**	**11,395,950**

OUR PROJECTS

Ganzhou Trade Center

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

Ganzhou Trade Center covers a net land area of approximately 1,475,298 sq.m., which is expected to be developed at least in two phases, and is estimated to have a total GFA of approximately 3.4 million sq.m. upon full completion. As of 30 June 2017, we had acquired all the land-use rights for this trade center project.

As of 30 June 2017, we had completed the construction of the wholesale trading markets and shopping malls. We are currently constructing a food street, a logistics distribution center, warehouses, a residential area, and supporting buildings and facilities. As part of our future development plan, we are planning to construct a commercial and exhibition center, additional shopping malls, residential areas, warehouses, office buildings and hotels.

Lanzhou Trade Center

Lanzhou Trade Center is located in Yuzhong County, Lanzhou, which is next to the community of Lanzhou College. It is located in the south of Qinglan Highway and 312 National Road and the north of 309 National Road, and is approximately 15 kilometers from downtown Lanzhou City, 20 kilometers and 80 kilometers from the railway station and airport of Lanzhou City, respectively.

Lanzhou Trade Center is planned to cover a site area of approximately 4.0 million sq.m. and has an aggregate estimated GFA of approximately 6.0 million sq.m which is expected to be developed at least in two phases. As of 30 June 2017, we had acquired land-use rights encompassing a total site area of 1,372,963 sq.m. with a total GFA of approximately 2,379,159 sq.m. upon completion.

As of 30 June 2017, for this trade center project, we had completed the construction of wholesale trading markets and a commercial pedestrian street. We are currently constructing additional wholesale trading markets. As part of our future development plan, we are planning to construct shopping malls and additional wholesale trading markets.

Xingning Trade Center

Xingning Trade Center is located in 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 three phases. As of 30 June 2017, we had acquired land-use right encompassing a total site area of 806,033 sq.m. with a total GFA of approximately 1,379,061 sq.m. upon completion of development.

As of 30 June 2017, for this trade center project, we had completed the construction of the wholesale trading markets, shopping malls and certain supporting buildings and facilities, and were constructing wholesale trading markets. As part of our future development plan, we are planning to construct a residential area, a warehouse, additional wholesale trading markets and shopping malls.

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 approximately 25 kilometers, 30 kilometers and 120 kilometers from downtown Bengbu, the railway station and the airport of Hefei, respectively.

Bengbu Commercial and Residential Project covers a net land area of approximately 363,737 sq.m., which is expected to consist of at least in two phases, and is estimated to have a total GFA of approximately 888,287 sq.m. upon full completion. As of 30 June 2017, we had acquired all the land-use rights for this commercial and residential project.

As of 30 June 2017, for this commercial and residential project, we were constructing a residential area and certain supporting buildings and facilities. As part of our future development plan, we are planning to develop a residential area, a commercial center, a hotel and certain supporting buildings and facilities.

On 10 August 2017, Shenzhen Hydoo International Holding Limited ("**Shenzhen Hydoo IHL**"), an indirect wholly-owned subsidiary of the Company, entered into the share transfer agreement with Xinyudonghaoyuan Investment Management Centre LLP (**"Xinyudonghaoyuan LLP**"), pursuant to which it agreed to sell its 60% equity interest in Huaiyuan Hydoo City Development Limited ("**Huaiyuan Hydoo City**") for a consideration of RMB200,000,000 to Xinyudonghaoyuan LLP. For further details, please refer to the section headed "EVENT AFTER THE REPORTING PERIOD" of this announcement.

Jining Trade Center

Jining Trade Center is located approximately six kilometers west of Jining, a prefecture-level city in southwestern Shandong province, and is one of the three major industrial bases in Shandong province. It is easily accessible by a number of connecting bus lines, and lies within ten kilometers of the Jining train station and 30 kilometers of Jining Qufu airport.

Jining Trade Center is planned to cover a site area of approximately 2.0 million sq.m. and has an aggregate estimated GFA of approximately 3.0 million sq.m., which is expected to be developed in three phases. As of 30 June 2017, we had acquired land-use rights for all of Phase I and Phase II, encompassing a total site area of 975,863 sq.m., and expect a total GFA of approximately 1,376,592 sq.m. upon full completion of Phase I and Phase II.

As of 30 June 2017, for this trade center project, we had completed the construction of wholesale trading markets, a shopping mall and a residential area, and were constructing a shopping mall, a commercial center, a hotel, an office building and a commercial and exhibition center. As part of our future development plan, we are planning to construct warehouses, serviced apartments, a residential area and office buildings.

Wuzhou Trade Center

Wuzhou Trade Center is strategically located in Wuzhou, a city in eastern Guangxi near the border of Guangxi and Guangdong province. It is approximately 370 kilometers east of Nanning, the capital of Guangxi, and approximately 270 kilometers west of Guangzhou, the capital of Guangdong.

Wuzhou Trade Center is planned to cover a site area of approximately 1.3 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in two phases. As of 30 June 2017, we had acquired land-use rights for all of Phase I, encompassing a total site area of 599,642 sq.m. with a total GFA of 1,048,049 sq.m. upon full completion of Phase I development.

As of 30 June 2017, for this trade center project, we had completed the construction of wholesale trading markets, shopping malls, a commercial and exhibition center, and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct a residential area, an office building, serviced apartments, a hotel and additional shopping malls.

Heze Trade Center

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

Heze Trade Center is planned to cover a site area of approximately 8.0 million sq.m. and has an aggregate estimated GFA of approximately 12.0 million sq.m., which is expected to be developed in three phases. As of 30 June 2017, 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 729,633 sq.m. upon completion of Phase I and Phase II development.

As of 30 June 2017, for this trade center project, we had completed the construction of wholesale trading markets and certain supporting buildings and facilities, and were constructing a shopping mall. As part of our future development plan, we are planning to construct office buildings, serviced apartments, additional shopping malls and wholesale trading markets.

Yulin Trade Center

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

Yulin Trade Center is planned to cover a site area of approximately 1.2 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in several phases. As of 30 June 2017, 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 569,706 sq.m. with a total planned GFA of approximately 752,790 sq.m. upon full completion of Phase I, Phase II and Phase III development.

As of 30 June 2017, for this trade center project, we had completed construction of several wholesale trading markets and shopping malls, and were constructing a commercial and exhibition center and additional wholesale trading markets. As part of our future development plan, we are planning to construct a hotel, serviced apartments, a residential area, and additional wholesale trading markets.

Jiamusi Trade Center

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

Jiamusi Trade Center is estimated to cover a site area of approximately 2.0 million sq.m., and has an aggregate estimated GFA of approximately 3.0 million sq.m., which is expected to be developed in several phases. As of 30 June 2017, we had acquired land-use rights for the Phase I development, encompassing a total site area of 484,708 sq.m., with a total planned GFA of approximately 489,433 sq.m..

As of 30 June 2017, we had completed the construction of a commercial center. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, a hotel and certain supporting buildings and facilities.

Yantai Trade Center

Yantai Trade Center is located in southern Zhifu District of Yantai City, west of Shenhai Highway, nine kilometers north of Yantai railway station, east of the Yantai wharf and nine and a half 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 2017, 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 2017, for this trade center project, we had completed the construction of wholesale trading markets, and were constructing certain shopping malls, a commercial and exhibition center and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, an office building and serviced apartments.

Liuzhou Trade Center

Liuzhou Trade Center is located in Liujiang Town, Liuzhou City, Guangxi Zhuang Autonomous Region. It is located in the east of Xianggui railway, and in the south of Liujiang Road.

Liuzhou Trade Center is estimated to cover a site area of approximately 1.2 million sq.m. and has an aggregate estimated GFA of approximately 1.5 million sq.m., which is expected to be developed in several phases. As of 30 June 2017, we had acquired the land-use rights for all of Phase I, encompassing a total site area of 259,577 sq.m., with a total planned GFA of approximately 300,143 sq.m..

For this trade center project, we were constructing wholesale trading markets. As part of our future development plan, we are planning to construct shopping malls, office buildings, certain supporting buildings and facilities and additional wholesale trading markets,

Mianyang Trade Center

Mianyang Trade Center is strategically located in Mianyang, the second largest city in Sichuan province, approximately 120 kilometers northeast of Chengdu, the capital of Sichuan province, along the key highway and railway that connect Sichuan province and western and northern China.

Mianyang Trade Center covers a net land area of approximately 605,084 sq.m., which is expected to be developed in several phases, and is estimated to have a total GFA of approximately 591,756 sq.m. when fully completed. As of 30 June 2017, we had acquired all the land-use rights for this trade center project.

As of 30 June 2017, 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.

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. National 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 2017, 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 approximately 443,467 sq.m. upon full completion of Phase I.

As of 30 June 2017, 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 were constructing a hotel.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB147.2 million, or 25.4%, from RMB579.1 million for the six months ended 30 June 2016 to RMB726.3 million for the Period. This increase was primarily caused by the increase in revenue from the sales of properties. The following table sets forth our revenue from the sales of properties, property management services , rental income and others during the relevant periods:

	For the six months ended 30 June			
	2017		2016	
	Revenue (RMB'000)	***%***	*Revenue (RMB'000)*	*%*
Sales of properties	**676,091**	**93.1**	537,149	92.8
Property management services	**26,921**	**3.7**	19,949	3.4
Rental income	**15,455**	**2.1**	19,757	3.4
Others	**7,863**	**1.1**	2,278	0.4
Total	**726,330**	**100.0**	579,133	100.0

Sales of Properties

Revenue from the sales of properties increased by RMB139.0 million, or 25.9%, from RMB537.1 million for the six months ended 30 June 2016 to RMB676.1 million for the Period. The increase in the sales of properties is in line with the increase in the GFA of properties sold, which increased by 45,389 sq.m., or 49.7%, from 91,381 sq.m. for the six months ended 30 June 2016 to 136,770 sq.m. for the Period. The increase was mainly attributed to the sales and delivery of properties in Lanzhou Trade Center, Heze Trade Center and Jining Trade Center.

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

	For the six months ended 30 June					
	2017			2016		
	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)					
Lanzhou Trade Center						
Wholesale trading market units	**33,571**	**6,257**	**210,042**	15,787	7,800	123,137
Subtotal	**33,571**	**6,257**	**210,042**	15,787	7,800	123,137
Heze Trade Center						
Wholesale trading market units	**39,995**	**3,956**	**158,212**	11,380	4,880	55,534
Subtotal	**39,995**	**3,956**	**158,212**	11,380	4,880	55,534
Jining Trade Center						
Wholesale trading market units	**17,776**	**4,389**	**78,019**	653	3,951	2,580
Residence	**4,809**	**4,112**	**19,774**	—	—	—
Subtotal	**22,585**	**4,330**	**97,793**	653	3,951	2,580
Xingning Trade Center						
Wholesale trading market units	**14,900**	**5,857**	**87,267**	21,715	5,646	122,595
Subtotal	**14,900**	**5,857**	**87,267**	21,715	5,646	122,595
Yulin Trade Center						
Wholesale trading market units	**8,408**	**5,014**	**42,157**	—	—	—
Shopping mall	**851**	**1,714**	**1,459**	—	—	—
Subtotal	**9,259**	**4,711**	**43,616**	—	—	—
Wuzhou Trade Center						
Wholesale trading market units	**6,252**	**4,845**	**30,289**	34,162	5,230	178,666
Shopping mall	**—**	**—**	**—**	263	6,251	1,644
Subtotal	**6,252**	**4,845**	**30,289**	34,425	5,238	180,310

	For the six months ended 30 June					
	2017			2016		
	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)					
Ningxiang Trade Center						
Serviced apartments	**6,356**	**3,971**	**25,238**	237	3,540	839
Subtotal	**6,356**	**3,971**	**25,238**	237	3,540	839
Mianyang Trade Center						
Wholesale trading market units	**2,616**	**5,921**	**15,490**	6,041	6,294	38,021
Subtotal	**2,616**	**5,921**	**15,490**	6,041	6,294	38,021
Yantai Trade Center						
Wholesale trading market units	**1,236**	**6,589**	**8,144**	—	—	—
Subtotal	**1,236**	**6,589**	**8,144**	—	—	—
Ganzhou Trade Center						
Wholesale trading market units	**—**	**—**	**—**	789	13,053	10,299
Shopping mall	**—**	**—**	**—**	354	10,831	3,834
Subtotal	**—**	**—**	**—**	1,143	12,365	14,133
Total	**136,770**	**4,943**	**676,091**	91,381	5,878	537,149

Property Management Services

Revenue from property management services increased by RMB7.0 million, or 35.2% from RMB19.9 million for the six months ended 30 June 2016 to RMB26.9 million for the Period. This increase primarily reflected the continued expansion of our property management portfolio.

Rental Income

Revenue from rental income decreased by RMB4.3 million, or 21.7%, from RMB19.8 million for the six months ended 30 June 2016 to RMB15.5 million for the Period. The decrease was primarily due to the termination of the sub-lease arrangement during the Period.

Gross Profit and Margin

Gross profit decreased by RMB78.9 million, or 23.1%, from RMB341.3 million for the six months ended 30 June 2016 to RMB262.4 million for the Period. Our gross profit margin decreased from 58.9% for the six months ended 30 June 2016 to 36.1% for the Period. The decrease in our gross profit margin for the Period compared to the six months ended 30 June 2016 was the result of the decrease in average selling price and change in product mix.

Other Income

Other income increased by RMB119.1 million, or 1777.6%, from RMB6.7 million for the six months ended 30 June 2016 to RMB125.8 million for the Period. The increase was mainly due to the net gain on disposal of other non-current financial assets of RMB123.4 million recorded by the Group during the Period (six months ended 30 June 2016: Nil).

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB12.4 million, or 16.8%, from RMB73.8 million for the six months ended 30 June 2016 to RMB61.4 million for the Period. The decrease primarily reflected our continued efforts in enhancing the operating efficiency in managing our sales and marketing activities.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by RMB35.0 million, or 15.4%, from RMB226.9 million for the six months ended 30 June 2016 to RMB191.9 million for the Period. The decrease primarily reflected a reversal of the accruals of RMB34.3 million made for the compensations on a sub-lease arrangement during the Period.

Fair Value Gain on Investment Properties

During the Period, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties, since there was an actual change in use from sale to earning rental income. The Group's investment properties carried at fair value as of 30 June 2017 were valued by Savills, an independent firm of surveyors. During the Period, the Group recorded a fair value gain of RMB222.9 million (six months ended 30 June 2016: RMB335.9 million).

Finance Income

Finance income decreased by RMB1.2 million, or 25.0%, from RMB4.8 million for the six months ended 30 June 2016 to RMB3.6 million for the Period. The decrease reflected a decrease in interest income from our bank deposit.

Finance Costs

Finance costs increased by RMB24.8 million, or 20.1%, from RMB123.5 million for the six months ended 30 June 2016 to RMB148.3 million for the Period. The increase was primarily due to the decreased interest expenses capitalised into properties under development during the Period.

Income Tax

Our income tax expense increased by RMB66.1 million, or 69.7%, from RMB94.9 million for the six months ended 30 June 2016 to RMB161.0 million for the Period. Such increase was primarily due to the increase in provision PRC LAT during the Period.

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

As a result of the foregoing, our profit decreased by RMB110.5 million, or 68.4%, from a net profit of RMB161.5 million for the six months ended 30 June 2016 to a net profit of RMB51.0 million for the Period. Profit attributable to equity shareholders of the Company decreased by RMB116.0 million, or 72.2%, from RMB160.6 million for the six months ended 30 June 2016 to RMB44.6 million for the Period.

Restricted Cash

Restricted cash amounted to RMB844.1 million as of 30 June 2017, compared to RMB1,045.8 million as of 31 December 2016. As of 30 June 2017, the restricted cash was pledged to banks for certain mortgage facilities granted to purchasers of the Group's properties with a carrying amount of RMB235.7 million (31 December 2016: RMB199.3 million), pledged for bank loans granted to the Group with a carrying amount of RMB566.8 million (31 December 2016: RMB574.7 million), and pledged for bills payables granted to the Group with a carrying amount of RMB41.6 million (31 December 2016: RMB271.8 million).

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 to satisfy other regular business operation needs. To date, we have primarily financed our operational expenditures through internally generated cash flows including proceeds from the pre-sale and sales of properties, equity investments made by our pre-IPO investors, borrowings from commercial banks and other lenders and proceeds from our initial public offering and proceeds from the issuance of overseas notes.

Bank Loans and Other Borrowings

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

	At 30 June 2017 *(RMB'000)*	At 31 December 2016 *(RMB'000)*
Current		
Secured		
– short term bank loans and other borrowings	**157,527**	303,773
– current portion of non-current bank loans and other borrowings	**1,297,555**	1,004,280
Subtotal	**1,455,082**	1,308,053
Non-current		
Secured		
– repayable after 1 year but within 2 years	**862,143**	1,196,660
– repayable after 2 years but within 5 years	**462,500**	280,850
– repayable after 5 years	**67,708**	—
Subtotal	**1,392,351**	1,477,510
Total	**2,847,433**	2,785,563

Bank loans and other borrowings bear interest rates ranging from 2.12% to 9.00% per annum for the Period (31 December 2016: 2.12% to 9.00%) and are secured by the following assets:

	30 June 2017 *(RMB'000)*	31 December 2016 *(RMB'000)*
Properties under development for sale	**1,859,608**	1,370,392
Completed properties held for sale	**987,959**	1,035,441
Properties held for future development for sale	**656,641**	651,499
Restricted cash	**566,811**	574,680
Investment Properties	**417,900**	41,900
Property, plant and equipment	**372,079**	377,111
Total	**4,860,998**	4,051,023

CONTINGENT LIABILITIES

We make arrangements with Chinese 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 2017, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB283.0 million.

COMMITMENTS

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

	At 30 June 2017 ***(RMB'000)***	At 31 December 2016 *(RMB'000)*
Construction and development contracts	**1,042,670**	1,111,114
Land agreements	**115,600**	240,550
Total	**1,158,270**	1,351,664

KEY FINANCIAL RATIOS

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

	At 30 June 2017	At 31 December 2016
Current ratio [1]	**1.72**	1.76
Gearing ratio [2]	**28.8%**	27.9%
Net gearing ratio[3]	**53.4%**	45.1%

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, senior notes and corporate bonds) divided by total assets as of the end of the respective reporting period and multiplying by 100%.

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

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates its business in China. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Other than certain overseas bank deposits, interests in joint ventures, the corporate bonds and the senior notes denominated in foreign currencies, the Group does not have any material exposure directly due to foreign exchange fluctuations. The Group maintains a conservative approach on foreign exchange exposure management, and manages and reviews its exposure to foreign exchange fluctuations on a regular basis. At times of exchange rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards will be used in the management of exposure to foreign exchange fluctuations. In May 2016, the Group entered into a US$100 million currency option agreement and will continue to seek foreign exchange hedging instruments at a reasonable cost to manage foreign exchange risk more effectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Period.

RESTRICTION ON SALES

As of 30 June 2017, we were simultaneously developing 14 trade center projects in 9 provinces and autonomous regions in China. Under the terms of certain master investment agreements with local government authorities regarding the development, such as our agreements in relation to Ningxiang, Mianyang, Ganzhou and Liuzhou 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 2017, the Group had a workforce of approximately 1,505 people. The number of staff had decreased by 15.7% since 31 December 2016. The total employee benefit expenses for the Period amounted to RMB137.1 million, increased by 3.6% (six months ended 30 June 2016: RMB132.3 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 increment, bonuses and promotion. As of 30 June 2017, the number of outstanding share options granted by the Company to its directors and employees is 58,795,000 shares.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions Conducted by the Directors of Listed Issuers ("**Model Code**") set forth in Appendix 10 of the Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Period. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or its shares are prohibited from dealing in the shares of the Company during the black-out period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") was set up on 27 September 2013 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules and the roles and responsibilities delegated to the Audit Committee by the Board. The revised terms of references has been adopted by the Board on 29 December 2015 to comply with the New CG Code which became effective on 1 January 2016. The primary duties of the Audit Committee are to review the financial information of the Company, to oversee the financial reporting process, risk management and internal control systems of the Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently consists of two independent non-executive Directors, Mr. Lam, Chi Yuen Nelson (being the chairman of the Audit Committee) and Mr. Zhao Lihua, and one non-executive Director, Mr. Yuan Bing. The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results and financial report for the Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

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

INTERIM DIVIDEND

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

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

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

ISSUANCE OF 13.75% SENIOR NOTES DUE 2018

On 15 December 2015, the Company issued 13.75% senior notes with an aggregate principal amount of US$100,000,000, which are due in 2018 (the "**2018 Senior Notes**"). The 2018 Senior Notes are listed and traded on The Singapore Exchange Securities Trading Limited.

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

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

ISSUANCE OF 11% SENIOR NOTES DUE 2019

On 25 August 2016, the Company and certain subsidiary guarantors entered into a subscription agreement with China Orient Alternative Investment Fund, pursuant to which the Company agreed to issue and China Orient Alternative Investment Fund agreed to subscribe for US$60,000,000, 11% senior notes due 2019. The issuance was completed on 30 August 2016. The proceeds of the senior notes will primarily be used for the refinancing of indebtedness of the Company and the remainder for its working capital purposes.

Please refer to the Company's announcement dated 25 August 2016 for details on the notes.

TERM LOAN FACILITY OF UP TO RMB150,000,000

On 18 November 2016, the Company as borrower and certain subsidiary guarantors entered into a facility agreement (the "**Facility Agreement**") with Nanyang Commercial Bank, Limited in relation to a term loan facility of up to RMB150,000,000 (or its equivalent in Hong Kong dollars or US dollars). The rate of interest is five percent (5%) plus HIBOR in respect of HK dollar loans, or five percent (5%) plus LIBOR in respect of US dollar loans.

Please refer to the Company's announcement dated 23 November 2016 for details on the Facility Agreement.

EVENT AFTER THE REPORTING PERIOD

On 10 August 2017, Shenzhen Hydoo IHL as the vendor (the "**Vendor**"), and Xinyudonghaoyuan LLP, as the purchaser (the "**Purchaser**"), entered into a share transfer agreement, pursuant to which, the Vendor agreed to sell to the Purchaser and the Purchaser agreed to acquire from the Vendor, 60% equity interest in Huaiyuan Hydoo City. Upon completion, the Vendor will cease to hold any equity interest in Huaiyuan Hydoo City and Huaiyuan Hydoo City will cease to be an indirect non-wholly owned subsidiary of the Company. The financial results of Huaiyuan Hydoo City will cease to be consolidated to the financial results of the Group.

For further details, please refer to the Company's announcement dated 10 August 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.hydoo.com.cn.** The 2017 Interim Report will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

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

Hong Kong, 28 August 2017

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