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## **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)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF 60% EQUITY INTEREST IN THE SUBSIDIARY**

#### **THE DISPOSAL**

The Board is pleased to announce that on 10 August 2017 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to acquire from the Vendor, 60% equity interest in the Subsidiary for a Consideration of RMB200,000,000 (equivalent to approximately HK\$234,082,000).

Upon Completion, the Vendor 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 Company. The Subsidiary is principally engaged in the development and operation of a commercial and residential project in Huaiyuan County, Bengbu, Anhui Province, the PRC.

#### **LISTING RULES IMPLICATION**

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements only.

**As the Disposal is subject to the fulfilment of certain conditions under the Share Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 10 August 2017 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to acquire from the Vendor, 60% equity interest in the Subsidiary for a Consideration of RMB200,000,000 (equivalent to approximately HK\$234,082,000).

Upon Completion, the Vendor 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 Company. The Subsidiary is principally engaged in the development and operation of a commercial and residential project in Huaiyuan County, Bengbu, Anhui Province, the PRC.

## **THE DISPOSAL**

### **The Share Transfer Agreement**

#### ***Date***

10 August 2017

#### ***Parties***

- (1) Shenzhen Hydoo International Holding Limited, as the Vendor; and
- (2) Xinyudonghaoyuan Investment Management Centre LLP\* (新餘東浩源投資管理中心(有限合夥)), as the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Purchaser and its respective ultimate beneficial owners are independent of the Company and its connected persons.

#### ***Assets to be disposed of***

Pursuant to the Share Transfer Agreement, the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to acquire from the Vendor, 60% equity interest in the Subsidiary.

## ***Consideration***

The Consideration payable by the Purchaser to the Vendor shall be RMB200,000,000 (equivalent to approximately HK\$234,082,000), and will be payable as follows:

<b>Time of Payment</b>	<b>Amount Payable to the Vendor</b>
Within seven business days after the signing of the Share Transfer Agreement <sup>(Note)</sup>	RMB20,000,000 (equivalent to approximately HK\$23,408,000)
On or before 31 December 2017	RMB90,000,000 (equivalent to approximately HK\$105,337,000)
On or before 31 March 2018	RMB90,000,000 (equivalent to approximately HK\$105,337,000)
Total	RMB200,000,000 (equivalent to approximately HK\$234,082,000)

*Note: The first payment of the Consideration will be made as a deposit and will only be released to the Vendor as part of the Consideration payment after the relevant business registration changes as set out in the section headed “Business Registration” have been completed.*

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser after taking into account: (i) the net asset value of the Subsidiary; (ii) the valuation of the land and buildings held by the Subsidiary; and (iii) the business prospects and development potential of the Subsidiary.

## ***Guarantee***

The Purchaser shall procure a third party to be agreed by the Vendor as guarantor to provide guarantee and/or collateral in the form to be agreed by the Vendor with a value of no less than RMB180,000,000, to guarantee all of the Purchaser’s obligations under the Share Transfer Agreement. The Purchaser shall procure its guarantor to provide the relevant guarantee documents and/or enter into a guarantee agreement with the Vendor within 15 business days after the signing of the Share Transfer Agreement, and to make all relevant registrations and provide all the relevant guarantee registration documents to the Vendor within 25 business days after the signing of the Share Transfer Agreement (if applicable).

### ***Business Registration***

The Vendor will assist the Subsidiary and the Purchaser to make relevant business registration changes in connection with the transfer of equity interest under the Share Transfer Agreement in accordance with the Purchaser's written request and within 10 business days after the fulfilment of the following conditions:

- (1) the Purchaser having made the first payment of RMB20,000,000 (equivalent to approximately HK\$23,408,000) of the Consideration within seven business days after the signing of the Share Transfer Agreement;
- (2) the Subsidiary having repaid the interests of the loans owed to the related parties of the Vendor, for an amount of approximately RMB6,736,117.81 (equivalent to approximately HK\$7,884,000), by 31 August 2017; and
- (3) the Purchaser or its guarantor having provided the relevant guarantee documents and/or entered into a guarantee agreement with the Vendor, and having made all relevant registrations and provided all the relevant guarantee registration documents to the Vendor (if applicable).

### ***Undertakings by the Purchaser***

The Purchaser undertakes that, prior to the payment of the Consideration in full, it will (i) inform the Vendor in writing on or before transferring or entering into any agreements, letters of intent or any other documents to transfer its equity interest in the Subsidiary (the “**Transfer**”); and (ii) pay the Vendor an amount equals to the difference between the consideration received by the Purchaser in respect of the Transfer and RMB115,600,000, being the amount of the outstanding land-use rights transfer fees to be paid by the Subsidiary as of the date of signing of the Share Transfer Agreement, within three business days after receipt of the consideration of the Transfer by the Purchaser. The amount paid to the Vendor will be deemed as early payment of Consideration.

Apart from maintaining the name of the Subsidiary and the use of the “Hydoo brand” of the Company for the “Huaiyuan Hydoo Commercial and Trading City” project pursuant to the Share Transfer Agreement, the Purchaser undertakes not to use the “Hydoo brand” of the Company for the development of the Subsidiary's projects after Completion.

### ***Undertakings by the Vendor***

The Vendor undertakes that during the period of signing of the Share Transfer Agreement to 31 December 2017, it will (i) assist the Purchaser and the Subsidiary in obtaining the land-use rights certificates as provided under the Share Transfer Agreement; and (ii) pay 60% of any late-payment charges imposed by the relevant government authorities up to the completion date of the relevant business registration changes for any outstanding land-use rights transfer fees (if any) in respect of the land of the Subsidiary.

### ***Termination***

In the event that (i) the Purchaser does not pay the Consideration pursuant to the Share Transfer Agreement, and such failure to pay continues for 30 days or more; or (ii) the Purchaser fails to procure its guarantor to provide the relevant guarantee and complete all relevant registrations or to enter into a guarantee agreement with the Vendor within 30 business days from the time as agreed in the Share Transfer Agreement, the Vendor has the right to unilaterally terminate the Share Transfer Agreement. In the event that the Purchaser breaches its undertakings, (i) the Purchaser shall pay an amount of RMB50 million to the Vendor as penalty; and (ii) the Vendor may require the Purchaser to pay all the remaining Consideration within five days after its written request. In the event that the Purchaser fails to make the payment in accordance with the Vendor's written request, and such failure to pay continues for 30 days or more, the Vendor has the right to unilaterally terminate the Share Transfer Agreement. Alternatively, the Vendor may enforce the guarantee and/or the collateral under the Share Transfer Agreement.

In the event that the Vendor fails to assist the Purchaser in the relevant business registration changes in connection with the Disposal for more than 30 business days after the Purchaser's written request, the Purchaser has the right to unilaterally terminate the Share Transfer Agreement.

In the event that the Share Transfer Agreement is terminated pursuant to its terms, other than as a result of the Purchaser's failure to make the required payment as set out in the section headed "Undertakings from the Purchaser", the defaulting party will be liable to the non-defaulting party for any expenses arising as a result of the breach of the Share Transfer Agreement. All rights and obligations of the Vendor and the Purchaser under the Share Transfer Agreement shall cease immediately upon termination of the Share Transfer Agreement save that such termination shall not affect the then accrued rights and obligations of the Vendor and the Purchaser.

### ***Financial Effect of the Disposal***

Taking into account the Consideration and based on the unaudited net asset value of the Subsidiary as at 31 December 2016, the gain arising from the Disposal to be recognised by the Group in its consolidated income statement is estimated at approximately RMB34,800,000 (equivalent to approximately HK\$40,730,000) upon Completion. The Company will use the sale proceeds for its working capital or investment in existing and future projects.

Upon Completion, the Vendor 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 Company. The financial results of the Subsidiary will cease to be consolidated to the financial results of the Group.

### **INFORMATION ON THE GROUP, THE PURCHASER AND THE VENDOR**

The Group is principally engaged in the development and operation of large-scale trade centres in China.

The Vendor, an indirect wholly-owned subsidiary of the Company, is a company incorporated under the laws of the PRC with limited liability and is principally engaged in investment management and consulting. The Vendor holds 60% equity interest in the Subsidiary prior to the Completion.

The Purchaser is a partnership registered under the laws of the PRC with limited liability and is principally engaged in investment and asset management.

### **INFORMATION ON THE SUBSIDIARY**

The Subsidiary is a company incorporated under the laws of the PRC with limited liability and is principally engaged in the development and operation of a commercial and residential project in Huaiyuan County, Bengbu, Anhui Province, the PRC.

### ***Net Profit Before/After Tax***

The table below sets forth the financial information of the Subsidiary for the years ended 31 December 2015 and 2016.

	<b>For the year ended 31 December 2015 (RMB in thousands) (Unaudited)</b>	<b>For the year ended 31 December 2016 (RMB in thousands) (Unaudited)</b>
Net loss before tax	12,454 (equivalent to approximately HK\$14,576)	15,458 (equivalent to approximately HK\$18,092)
Net loss after tax	8,430 (equivalent to approximately HK\$9,867)	11,704 (equivalent to approximately HK\$13,699)
Net asset value	287,026 (equivalent to approximately HK\$335,939)	275,322 (equivalent to approximately HK\$322,240)

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Due to the immaturity of the local market conditions, the Directors consider that the return on the continuous investment in the development and operation of the commercial and residential project in Huaiyuan County, Bengbu, Anhui Province, PRC, is lower and the period for the return of investment is longer than the Directors had expected. The Directors believe that the Disposal will enhance cash flow and the return ratio of the Group. The Disposal will allow the Group to redeploy its resources to other investment opportunities which will offer a better and more attractive return to the Group, and benefit the Company and its shareholders as a whole.

On the basis of the foregoing, the Directors (including all the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable, on normal commercial terms or better and in ordinary and usual course of business of the Group, and in the interest of the Company and its shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements only.

**As the Disposal is subject to the fulfilment of certain conditions under the Share Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Company”	Hydoo International Holding Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the Disposal under the Share Transfer Agreement
“Connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB200,000,000 (equivalent to approximately HK\$234,082,000) payable by the Purchaser to the Vendor for the Disposal pursuant to the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 60% equity interest in the Subsidiary by the Vendor to the Purchaser pursuant to the Share Transfer Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China



“Purchaser”	Xinyudonghaoyuan Investment Management Centre LLP* (新餘東浩源投資管理中心(有限合夥)), a limited liability partnership registered under the laws of the PRC
“Share Transfer Agreement”	the share transfer agreement dated 10 August 2017 in relation to the Disposal entered into between the Purchaser and the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Huaiyuan Hydoo City Development Limited* (懷遠毅德城發展有限公司), a company incorporated under the laws of the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company
“Vendor”	Shenzhen Hydoo International Holding Limited* (深圳市毅德國際控股有限公司), a company incorporated under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company, and is holding 60% equity interest in the Subsidiary prior to the Completion
“%”	per cent.

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB 1 = HK\$1.1704. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.*

*\* For identification purpose only.*

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

Hong Kong, 10 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 of the Company is Mr. Yuan Bing; and the independent non-executive Directors of the Company are Mr. Zhao Lihua, Mr. Wang Lianzhou and Mr. Lam, Chi Yuen Nelson.*