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**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of the Share Offer, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hydoo International Holding Limited**, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Share Offer.

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**CHINA GUANGDONG – HONG KONG  
GREATER BAY AREA HOLDINGS  
LIMITED**  
中國粵港灣區控股有限公司  
(Incorporated in the British Virgin Islands  
with limited liability)

**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)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
THE MANDATORY UNCONDITIONAL CASH OFFER BY  
ZHONGTAI INTERNATIONAL SECURITIES LIMITED  
FOR AND ON BEHALF OF  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
HYDOO INTERNATIONAL HOLDING LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to the Offeror**



**Zhongtai International Capital Limited**

**Independent financial adviser to the Independent Board Committee**



**Opus Capital Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Composite Document.

A letter from Zhongtai Securities containing, among other things, principal terms of the Share Offer is set out on pages 7 to 18 of this Composite Document. A letter from the Board is set out on pages 19 to 24 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Share Offer is set out on pages 25 to 26 of this Composite Document. A letter from Opus Capital containing its recommendation to the Independent Board Committee in respect of the Share Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 27 to 51 of this Composite Document.

The procedures for acceptance and other related information in respect of the Share Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Form(s) of Acceptance should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Friday, 11 October 2019 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

20 September 2019

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## CONTENT

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	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	ii
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM ZHONGTAI SECURITIES</b> .....	7
<b>LETTER FROM THE BOARD</b> .....	19
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	25
<b>LETTER FROM OPUS CAPITAL</b> .....	27
<b>APPENDIX I — FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER.</b> .....	I-1
<b>APPENDIX II — FINANCIAL INFORMATION OF THE GROUP</b> .....	II-1
<b>APPENDIX III — GENERAL INFORMATION OF THE GROUP</b> .....	III-1
<b>APPENDIX IV — GENERAL INFORMATION OF THE OFFEROR</b> .....	IV-1
<b>ACCOMPANYING DOCUMENT – FORM(S) OF ACCEPTANCE</b>	

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.*

**2019**

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement date of the Share Offer ( <i>Note 1</i> ) . . . . .	Friday, 20 September
Latest time and date for acceptance of the Share Offer ( <i>Note 2</i> ) . . . . .	4:00 p.m. on Friday, 11 October
Closing Date ( <i>Note 2</i> ) . . . . .	Friday, 11 October
Announcement of the results of the Share Offer, to be posted on the website of the Stock Exchange ( <i>Note 2</i> ) . . . . .	No later than 7:00 p.m. on Friday, 11 October
Latest date for posting of remittances in respect of valid acceptances received under the Share Offer ( <i>Note 3</i> ) . . . . .	Tuesday, 22 October

*Notes:*

- (1) The Share Offer, which is unconditional in all respect, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
- (2) In accordance with the Takeovers Code, the Share Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 11 October 2019 unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on Friday, 11 October 2019 stating whether the Share Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Share Offer, at least 14 days' notice by way of an announcement will be given before the Share Offer is closed to those Offer Shareholders who have not accepted the Share Offer.
- (3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Share Offer will be despatched to the Offer Shareholders accepting the Share Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

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## EXPECTED TIMETABLE

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- (4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Share Offer, the latest time for acceptance of the Share Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day;
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Share Offer, the latest time for acceptance of the Share Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

Save as mentioned above, if the latest time for the acceptance of the Share Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected, the Offeror and the Company will notify the Offer Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

**All references to dates and times contained in this Composite Document and the accompanying Form(s) of Acceptance refer to Hong Kong dates and times, unless otherwise stated.**

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	11 October 2019, the closing date of the Share Offer, or if the Share Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive, in accordance with the Takeovers Code
“Company”	Hydoo International Holding Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board (stock code: 1396)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Share Offer in compliance with the Takeovers Code containing, among other things, details of the Share Offer (accompanied by the Form(s) of Acceptance) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Convertible Bonds”	the convertible bonds issued by the Offeror, constituted by issuance deeds dated 25 July 2019 between the Offeror, the bondholder and Zhongtai Securities as placement agent, particulars of which are set out in the section headed “The Share Offer – Financial resources available for the Share Offer” in the “Letter from Zhongtai Securities” contained in this Composite Document
“Director(s)”	director(s) of the Company
“Eminent Ascend”	Eminent Ascend Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by Mr. Wong Sheung Tak (王雙德)
“Encumbrance”	any claim, option, charge (fixed or floating), mortgage, lien, pledge, equity, adverse interest, encumbrance, right to acquire, right of pre-emption, right of first refusal, title retention or any other third party right, or other security interest or any agreement or arrangement having a similar effect or any agreement to create any of the foregoing
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form(s) of Acceptance”	the form(s) of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all non-executive Directors who have no direct or indirect interest in the Share Offer, namely Mr. Yuan Bing, Mr. Zhao Lihua, Mr. Lam Chi Yuen Nelson and Mr. Yue Zheng, formed for the purpose of advising the Offer Shareholders in respect of the Share Offer

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## DEFINITIONS

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“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee in respect of the Share Offer
“Irrevocable Undertaking”	the irrevocable undertaking given by Eminent Ascend in favour of the Offeror that it will not, among others, tender or otherwise make any of the Shares held by it available for acceptance of the Share Offer
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 13 August 2019 in relation to, among others, the sale and purchase of the Sale Shares and the Share Offer
“Last Trading Day”	26 July 2019, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	17 September 2019, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Offer Period”	the period from 13 August 2019, being the date of the Joint Announcement to 4:00 p.m. on the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Share Offer in accordance with the Takeovers Code
“Offer Share(s)”	any of the Shares that are subject to the Share Offer
“Offer Shareholder(s)”	Shareholder(s), other than the Offeror and parties acting in concert with it
“Offeror”	China Guangdong – Hong Kong Greater Bay Area Holdings Limited, a company incorporated in the British Virgin Islands, being the purchaser under the Sale and Purchase Agreement and the offeror under the Share Offer

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## DEFINITIONS

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“Overseas Offer Shareholder(s)”	Offer Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser Guarantors”	Mr. Zeng Yunshu (曾雲樞) and Mr. Cai Hongwen (蔡鴻文)
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing on 13 February 2019, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the conditional agreement for the sale and purchase of the Sale Shares dated 28 July 2019 and entered into among the Vendor, the Vendor Guarantors, the Offeror and the Purchaser Guarantors in relation to the sale and purchase of the Sale Shares
“Sale Shares”	2,070,000,000 Shares sold by the Vendor and acquired by the Offeror pursuant to the terms and conditions of the Sale and Purchase Agreement, representing approximately 51.56% of the entire issued share capital of the Company as at the date of the Joint Announcement, and a “Sale Share” means any of them
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company



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## DEFINITIONS

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“Share Offer”	the mandatory unconditional cash offer made by Zhongtai Securities, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Most Trend Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned as to approximately 52.70% by Mr. Wong Choi Hing (王再興), approximately 12.98% by Mr. Wang Dewen (王德文), approximately 9.48% by Mr. Wang Jianli (王健利), approximately 7.42% by Mr. Wang Dekai (王德開), approximately 6.10% by Mr. Huang Dehong (黃德宏), approximately 6.10% by Mr. Wang Desheng (王德盛), approximately 3.48% by Mr. Wang Quanguang (王全光) and approximately 1.74% by Mr. Wong Sheung Tak (王雙德)
“Vendor Guarantors”	Mr. Wong Choi Hing (王再興), Mr. Wang Jianli (王健利), Mr. Wang Dekai (王德開), Mr. Huang Dehong (黃德宏), Mr. Wong Sheung Tak (王雙德) and Mr. Wang Quanguang (王全光)
“Zhongtai Capital”	Zhongtai International Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial advisor to the Offeror in respect to the Share Offer
“Zhongtai Securities”	Zhongtai International Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the agent making the Share Offer on behalf of the Offeror
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“RMB”	Renminbi(s), the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*Unless stated otherwise, in this Composite Document, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1=HK\$1.1351 for the purpose of illustration. Such exchange rate is for illustration purpose only and does not constitute representations that any amount in RMB or HK\$, could have been or may be converted at such rate. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.*

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## LETTER FROM ZHONGTAI SECURITIES

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**Zhongtai International Securities Limited**

*To the Offer Shareholders*

20 September 2019

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
ZHONGTAI INTERNATIONAL SECURITIES LIMITED  
FOR AND ON BEHALF OF  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
HYDOO INTERNATIONAL HOLDING LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

On 13 August 2019, the Offeror and the Company jointly announced that on 28 July 2019, the Vendor, the Vendor Guarantors, the Offeror and the Purchaser Guarantors entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase 2,070,000,000 Shares, representing approximately 51.56% of the entire issued share capital of the Company as at the date of the Joint Announcement, at a total cash consideration of HK\$631,350,000 (equivalent to HK\$0.305 per Sale Share).

Immediately after Completion which took place on 11 September 2019 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 2,070,000,000 Shares, representing approximately 51.56% of the entire issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

This letter sets out, among other things, the principal terms of the Share Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Share Offer are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Offer Shareholders and the "Letter from Opus Capital" to the Independent Board Committee as contained in this Composite Document.

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## LETTER FROM ZHONGTAI SECURITIES

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### THE SHARE OFFER

#### Principal terms of the Share Offer

We are making the Share Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

**For each Offer Share . . . . . HK\$0.305 in cash**

The price of HK\$0.305 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendor pursuant to the Sale and Purchase Agreement.

As at the Latest Practicable Date, there were 4,014,844,000 Shares in issue and the Company did not have any outstanding options, warrants or derivatives or securities convertible into Shares.

The procedures for acceptance and further details of the Share Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

#### Share Offer Price

The offer price of the Share Offer of HK\$0.305 per Offer Share represents:

- (i) a discount of approximately 29.9% to the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on 26 July 2019, being the Last Trading Day;
- (ii) a discount of approximately 23.2% to the average closing price of approximately HK\$0.397 per Share quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 23.0% to the average closing price of approximately HK\$0.396 per Share quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 16.2% to the average closing price of approximately HK\$0.364 per Share quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 15.3% to the average closing price of approximately HK\$0.360 per Share quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM ZHONGTAI SECURITIES

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- (vi) a discount of approximately 79.4% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$1.481 as at 31 December 2018, calculated based on the Group's audited consolidated net assets attributable to owners of the Company of approximately HK\$5,946,597,000 as at 31 December 2018 and 4,014,844,000 Shares in issue as at the date of the Joint Announcement;
- (vii) a discount of approximately 79.4% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$1.483 as at 30 June 2019, calculated based on the Group's unaudited consolidated net assets attributable to owners of the Company of approximately HK\$5,955,965,000 as at 30 June 2019 and 4,014,844,000 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 17.6% to the closing price of HK\$0.370 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### **Highest and lowest Share Prices**

The highest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$0.500 per Share on 20 August 2019.

The lowest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$0.295 per Share on 14 June 2019 and 18 June 2019.

### **Total Consideration for the Offer Shares**

Assuming that there is no change in the issued share capital of the Company and based on the offer price of HK\$0.305 per Offer Share and 4,014,844,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$1,224,527,420. As the Offeror and parties acting in concert with it hold in aggregate 2,070,000,000 Shares immediately after Completion, 1,944,844,000 Shares are subject to the Share Offer. Based on the offer price of HK\$0.305 per Offer Share, the consideration of the Share Offer is HK\$593,177,420. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made (i.e. the date of this Composite Document).

In the event of any declaration of dividends by the Company, such dividends will not be used to set off against the consideration (or any part thereof) payable to the Offer Shareholders under the Share Offer.

### **Financial resources available for the Share Offer**

The maximum cash consideration payable under the Share Offer, excluding the 2,070,000,000 Shares held by the Offeror and the parties acting in concert with it and the 300,000,000 Shares held by Eminent Ascend which has given the Irrevocable Undertaking, is HK\$501,677,420. The Offeror intends to finance the cash payable by the Offeror in respect of the Share Offer entirely by the proceeds from the issue of the Convertible Bonds in the sum of HK\$501,677,420.

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## LETTER FROM ZHONGTAI SECURITIES

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The Convertible Bonds are constituted by issuance deeds dated 25 July 2019, the major terms of which are set out below:

Issuer:	the Offeror
Bondholder (“ <b>Bondholder</b> ”):	Asian Income Fund, a sub-fund of an umbrella fund (Diversified Strategies QIAIF ICAV) registered in Ireland under the ICAV Act and managed by MontLake Management Limited, a fund manager regulated by the Central Bank of Ireland, with China Post Global (UK) Limited (the “ <b>Investment Manager</b> ”), a corporation regulated by the Financial Conduct Authority of the United Kingdom, as its investment manager with delegated discretionary investment management functions in respect of the assets of the umbrella fund (including the Bondholder as its sub-fund), whose principal function is the provision of investment advice and investment management services and who has also been appointed to provide marketing and distribution services in respect of the umbrella fund (including the Bondholder as its sub-fund) in certain jurisdictions
Aggregate principal amount:	US\$105,980,000
Completion Date/Issue date:	25 July 2019
Term:	three years commencing from 25 July 2019, extendable by the Offeror for a further three years thereafter
Final Maturity Date:	25 July 2022 (subject to the extension of the term mentioned above)
Interest:	from 2.20% to 3.10% per annum in years 1 and 2, and from 0.50% to 1.20% per annum in year 3, depending on the principal amount of the Convertible Bonds concerned, payable annually

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## LETTER FROM ZHONGTAI SECURITIES

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Conversion:

in respect of Convertible Bonds constituted by each issuance deed, if the net asset value of a Non-voting Share (as defined below) on the second business day immediately preceding the Final Maturity Date (“**Final NAV**”) is less than the monetary threshold prescribed in the issuance deed and above the net asset value of a Non-voting Share (as defined below) on the Issue Date (“**Initial NAV**”), then the Bondholder may elect to convert all but not some only of the relevant Convertible Bonds on the Final Maturity Date into shares (“**Non-voting Shares**”) in the non-voting share class of the Offeror or, in the sole discretion of the Bondholder, to receive cash settlement calculated in accordance with the terms of the relevant Convertible Bond. If the Final NAV is less than the aforesaid prescribed monetary threshold and below or equal to the Initial NAV, then the Offeror may elect to convert all but not some only of the relevant Convertible Bonds on the Final Maturity Date into Non-voting Shares or, in the sole discretion of the Bondholder, to receive cash settlement calculated in accordance with the terms of the relevant issuance deed

Early redemption:

in respect of Convertible Bonds constituted by each issuance deed, the Offeror may at any time prior to seven days before the Final Maturity Date redeem all but not some of the relevant Convertible Bonds at fair market value to be determined in accordance with the terms of the relevant issuance deeds

the Bondholder does not have the right to request early redemption of the Convertible Bonds under the issuance deeds

Transferability:

the Convertible Bonds are not transferable

The Offeror has considered that as it is a recently incorporated company without any business activities and did not have any assets before the issue of the Convertible Bonds save for cash, it was not practicable for it to obtain banking facilities. Further, the Offeror, being a private un-listed company, is and was unable to raise funds from the public. In view of the fact that the issue of the Convertible Bonds was then the most realistic way available to it, the Offeror opted for a structure involving the Convertible Bonds to raise fund for the acquisition of the Sale Shares and the Share Offer.

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## LETTER FROM ZHONGTAI SECURITIES

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The Offeror confirms that it had arranged three companies (the “**Onshore Companies**”) established in the PRC, each being ultimately controlled by Mr. HW Cai, Mr. Cheung and a related party of Mr. S Zeng respectively, to invest a total of RMB742,480,000 (equivalent to approximately HK\$839,002,400 based on the exchange rate of RMB1 to HK\$1.13) as to RMB431,880,000 (equivalent to approximately HK\$488,024,400 based on the exchange rate of RMB1 to HK\$1.13), RMB47,000,000 (equivalent to approximately HK\$53,110,000 based on the exchange rate of RMB1 to HK\$1.13) and RMB263,600,000 (equivalent to approximately HK\$297,868,000 based on the exchange rate of RMB1 to HK\$1.13) respectively in cash in the Bondholder via three onshore asset management plans (the “**AM Plans**”), of which 華泰證券(上海)資產管理有限公司 (Huatai Securities (Shanghai) Asset Management Co., Ltd.\*) (the “**Onshore Manager**”), a licensed asset management company in the PRC is the asset manager. Due to foreign exchange restrictions in the PRC for PRC companies and nationals to invest directly in offshore funds, the AM Plans act as a part of a cross-border channel setup through which sufficient funding was made available from the PRC to the Offeror in Hong Kong appropriately for the acquisition of the Sale Shares and the Share Offer. The Bondholder acts as an offshore investment vehicle in the above setup. The Bondholder is held as to approximately 58.2%, 6.3% and 35.5% respectively by the three AM Plans, which are managed by the Onshore Manager, owned by the Onshore Companies ultimately controlled by Mr. HW Cai, Mr. Cheung and a related party of Mr. S Zeng.

The involvement of the Bondholder and the Investment Manager is for the sole purpose of facilitating the funding to the Offeror through the above setup.

Given that the Investment Manager (in the capacity as the investment manager of the Bondholder), China Post & Capital Global Asset Management Limited (being the immediate parent company of the Investment Manager), the Bondholder, the Onshore Manager (in the capacity as the asset manager of the AM Plans) and Huatai Securities Co., Ltd. (being the immediate parent company of the Onshore Manager, the H shares of which are listed on the Main Board and the A shares of which are listed on the Shanghai Stock Exchange) have facilitated in the funding to the Offeror as mentioned above, they are considered to be persons acting in concert with the Offeror.

There is no arrangement under which the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

Zhongtai Capital, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full consideration payable upon full acceptance of the Share Offer.



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## LETTER FROM ZHONGTAI SECURITIES

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### **Effect of accepting the Share Offer**

By accepting the Share Offer, the Offer Shareholders shall sell their Offer Shares free from all Encumbrances and with all rights attached to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made (i.e. the date of this Composite Document).

Acceptance of the Share Offer by any Offer Shareholders will be deemed to constitute a warranty by such person that all the Offer Shares sold by such person under the Share Offer are free from all Encumbrances and with all rights attached to them, including the rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made (i.e. the date of this Composite Document).

The Share Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Share Offer tendered by the Offer Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 4 headed “Right of Withdrawal” in Appendix I to this Composite Document.

### **Payment**

Payment in cash in respect of acceptances of the Share Offer will be made as soon as possible within seven Business Days following the date of receipt of a duly completed acceptance. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Share Offer complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to the Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

### **Hong Kong Stamp duty**

Seller’s ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable to the relevant Offer Shareholders on acceptance of the Share Offer. The Offeror will arrange for payment of the sellers’ ad valorem stamp duty on behalf of the relevant Offer Shareholders accepting the Share Offer and will pay the buyer’s ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

### **Overseas Offer Shareholders**

As the Share Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Offer Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any

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## LETTER FROM ZHONGTAI SECURITIES

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applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Offer Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

If the receipt of the Composite Document by the Overseas Offer Shareholders is prohibited by any applicable laws and regulations and may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Offer Shareholders. In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. There were no Overseas Offer Shareholders as at the Latest Practicable Date.

**Any acceptance of the Share Offer by such Overseas Offer Shareholders will be deemed to constitute a representation and warranty from such Overseas Offer Shareholders to the Offeror that the applicable local laws and requirements have been complied with and such acceptance shall be valid and binding in accordance with all applicable laws. The Overseas Offer Shareholders should consult their professional advisers if in doubt. The Overseas Offer Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.**

### **Taxation advice**

The Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Zhongtai Capital, Zhongtai Securities and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

### **INFORMATION ON THE GROUP**

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on Main Board (stock code: 1396). The principal activities of the Group are developing and operating large-scale trade centers in the PRC.

Your attention is also drawn to the information on the Group set out in the section headed "Information on the Group" in the "Letter from the Board" and Appendix III as contained in this Composite Document.

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## LETTER FROM ZHONGTAI SECURITIES

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### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is owned by Ruixinhaide Holdings Limited (瑞信海德控股有限公司) (“**RXHD Holdings**”), Hakka Park International Group Co Ltd. (客天下國際集團有限公司) (“**Hakka Park**”) and Bowie Resources Limited (寶裕資源有限公司) (“**Bowie Resources**”) as to 40%, 40% and 20%, respectively. The directors of the Offeror are Mr. Zeng Yunshu (曾雲樞) (“**Mr. YS Zeng**”), Mr. Cai Hongwen (蔡鴻文) (“**Mr. HW Cai**”) and Mr. Cheung Yi Wan (張宜環) (“**Mr. Cheung**”). As at the Latest Practicable Date, save for the entering into of the Sale and Purchase Agreement, the Offeror had not engaged in any other business activities.

RXHD Holdings is owned as to 70% by Junsheng Holdings Limited (君勝控股有限公司) (“**Junsheng Holdings**”), 20% by Mr. YS Zeng and 10% by Ms. Wei Haiyan (魏海燕) (“**Ms. Wei**”). Junsheng Holdings is a company incorporated in Hong Kong, all the issued shares of which are owned by Mr. Zeng Sheng (曾勝) (“**Mr. S Zeng**”). The directors of Junsheng Holdings are Mr. S Zeng and Mr. YS Zeng. The directors of RXHD Holdings are Mr. S Zeng, Mr. YS Zeng and Ms. Wei. Mr. YS Zeng is the father of Mr. S Zeng. From January 2007 until June 2012, Mr. YS Zeng was an executive director of Hong Long Holdings Limited (now known as Suncity Group Holdings Limited) (stock code: 1383) (“**Hong Long**”), the shares of which are listed on the Stock Exchange. Mr. S Zeng was the ultimate controlling shareholder of Hong Long since its listing on the Stock Exchange until 5 October 2010 and was an executive director of Hong Long since its listing on the Stock Exchange until 14 January 2011. Mr. YS Zeng has extensive experience in the development and management of properties and Mr. S Zeng has extensive experience in property investment and commercial management.

Hakka Park is owned as to 60% by Mr. HW Cai, 20% by Mr. Cai Xuefeng (蔡雪峰) (“**Mr. XF Cai**”) and 20% by Mr. Cai Xueshan (蔡雪山) (“**Mr. XS Cai**”). The sole director of Hakka Park is Mr. HW Cai. Mr. HW Cai is the father of Mr. XF Cai and Mr. XS Cai. Mr. HW Cai has experience in the development and management of properties (including tourism resort) in the PRC.

The entire issued share capital of Bowie Resources is owned by Ms. Luo Yanling (羅雁玲) (“**Ms. Luo**”), the spouse of Mr. Cheung. The sole director of Bowie Resources is Mr. Cheung. Both Mr. Cheung and Ms. Luo have experience in property construction and property leasing in the PRC.

As disclosed above, each of Mr. YS Zeng, Mr. HW Cai and Mr. Cheung has experience in the property development industry in the PRC in which the Group is principally engaged.

As at the Latest Practicable Date, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them were third parties independent of and not connected with the Company and its connected person.

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## LETTER FROM ZHONGTAI SECURITIES

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### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Immediately after Completion, the Offeror became the controlling shareholder of the Company.

It is the intention of the Offeror to continue with the Group's existing principal business. As at the Latest Practicable Date, the Offeror and/or the Company had no intention and had not entered into any agreement, arrangement, understanding or negotiation to acquire/develop any new business of the Company or to downsize or dispose of the Company's existing business or material operating assets. As at the Latest Practicable Date, the Offeror had no intention to introduce any major changes in the Group's business, which include (i) discontinuing the employment of any employees of the Group (save for the proposed changes to the composition of the Board to be determined); or (ii) redeploying the fixed assets of the Group other than those in its ordinary and usual course of business.

Leveraging on the experience of the directors of the Offeror in the property development industry in PRC, the Offeror intends to continue to look for business opportunities such as investment in the property development industry in the PRC and overseas to strengthen the Group's existing business and will, following the close of the Share Offer, conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, the Offeror may explore new business opportunities in the property development industry and consider whether any acquisition or disposal will be appropriate in order to enhance the long term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules. The Offeror believes that there will be continued business development in the Group under the management of the new Board.

The Offeror intends to nominate new Director(s) to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror had not identified any candidate(s) for the new Director(s) to be appointed to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

### PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

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## LETTER FROM ZHONGTAI SECURITIES

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The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

### COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Offer Share outstanding and not acquired under the Share Offer after the Closing Date.

### ACCEPTANCE AND SETTLEMENT OF THE SHARE OFFER

Your attention is drawn to the details regarding the procedures for acceptance and settlement of the Share Offer as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

### GENERAL

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Offer Shareholder whose name appears first in the said register of members. None of the Offeror, parties acting in concert with it, the Company, Zhongtai Capital, Zhongtai Securities, Opus Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Share Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

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## LETTER FROM ZHONGTAI SECURITIES

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Share Offer set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by Opus Capital to the Independent Board Committee in respect of the Share Offer as set out in the “Letter from Opus Capital” contained in this Composite Document.

Yours faithfully,  
For and on behalf of  
**Zhongtai International Securities Limited**  
**Hui Shi Man**  
*Executive Director*

\* *for identification purpose only*



**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)**

*Executive Directors:*

Mr. Wang Jianli (*Chairman*)

Mr. Wang Dewen

Mr. Huang Dehong

*Registered office:*

PO Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

*Non-Executive Director:*

Mr. Yuan Bing

*Headquarters:*

Level 42, Block E

China Resources Land Building

No.18 First Dachong Road

Nanshan District

Shenzhen PRC

*Independent non-executive Directors:*

Mr. Zhao Lihua

Mr. Lam Chi Yuen Nelson

Mr. Yue Zheng

*Principal Place of Business in Hong Kong:*

Suite 2305, 23/F

Prudential Tower

The Gateway, Harbour City

Kowloon, Hong Kong

20 September 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
ZHONGTAI INTERNATIONAL SECURITIES LIMITED  
FOR AND ON BEHALF OF  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
HYDOO INTERNATIONAL HOLDING LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the Joint Announcement.

On 28 July 2019, the Vendor, the Vendor Guarantors, the Offeror and the Purchaser Guarantors entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase 2,070,000,000 Shares, representing approximately 51.56% of the entire issued share capital of the Company as at the date of the Joint Announcement, at a total cash consideration of HK\$631,350,000 (equivalent to HK\$0.305 per Sale Share).

Immediately after Completion which took place on 11 September 2019 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 2,070,000,000 Shares, representing approximately 51.56% of the entire issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Share Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Share Offer and as to acceptance of the Share Offer; and (iii) the letter from Opus Capital, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in relation to the Share Offer.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising the non-executive Director, namely Mr. Yuan Bing, and all the independent non-executive Directors who have no direct or indirect interest in the Share Offer, namely Mr. Zhao Lihua, Mr. Lam Chi Yuen Nelson and Mr. Yue Zheng, to advise the Independent Shareholders in relation to the terms and conditions of the Share Offer, in particular as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer.

Pursuant to Rule 2.1 of the Takeovers Code, Opus Capital has also been appointed as the Independent Financial Adviser by the Company after approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable so far as the Independent Shareholder are concerned and as to the acceptance of the Share Offer.

The purpose of this Composite Document is to provide you with, amongst others, information relating to the Group, the Offeror and the Share Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Share Offer and as to acceptance and the letter from



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## LETTER FROM THE BOARD

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Opus Capital containing their advice to the Independent Board Committee in respect of the terms of the Share Offer and as to acceptance.

### THE SHARE OFFER

#### Principal terms of the Share Offer

The terms of the Share Offer as set out in the “Letter from Zhongtai Securities” are extracted below. You are recommended to refer to the “Letter from Zhongtai Securities” and the Form of Acceptance for further details.

Zhongtai Securities, for and on behalf of the Offeror, is making the Share Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code:

**For each Offer Share . . . . . HK\$0.305 in cash**

The price of HK\$0.305 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendor pursuant to the Sale and Purchase Agreement.

As at the Latest Practicable Date, there were 4,014,844,000 Shares in issue and the Company did not have any outstanding options, warrants or derivatives or securities convertible into Shares.

As at the date of the Composite Document, the Company has not declared any dividend and does not have any intention to make, declare or pay any future dividend or make other distribution until the close of the Offer Period.

Further details regarding the Share Offer, including the terms and procedures for acceptance of the Share Offer are set out in the “Letter from Zhongtai Securities” and appendix I to this Composite Document and the accompanying Form of Acceptance.

#### Irrevocable Undertaking

As at the Latest Practicable Date, Eminent Ascend held 300,000,000 Shares (representing approximately 7.47% of the issued Shares as at the Latest Practicable Date). Eminent Ascend has given an Irrevocable Undertaking in favour of the Offeror, pursuant to which Eminent Ascend has undertaken that it will not, whether directly or indirectly, from the date of the Irrevocable Undertaking until the close of the Share Offer (both dates inclusive): (i) dispose of, charge, pledge, grant any option over or otherwise dispose of or create any encumbrances in respect of the 300,000,000 Shares held by Eminent Ascend; (ii) acquire or agree to acquire any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; or (iii) tender or otherwise make any of its 300,000,000 Shares available for acceptance under the Share Offer. The Irrevocable Undertaking will remain effective until the Share Offer having been withdrawn, lapsed or closed. Save for disclosed above, there are no other circumstances under which the Irrevocable Undertaking may cease to be binding.

## LETTER FROM THE BOARD

The Share Offer is unconditional in all aspects and is not conditional upon acceptances being received in respect of a minimum number of Shares.

### INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Group principally engages in developing and operating large-scale trade center in the PRC.

Your attention is drawn to Appendices II and III of this Composite Document which contain further financial and general information of the Group.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Vendor (Note 2)	2,070,000,000	51.56	–	–
Eminent Ascend (Note 3)	300,000,000	7.47	300,000,000	7.47
The Offeror and parties acting in concert with it	–	–	2,070,000,000	51.56
Top Amuse Holdings Limited (Note 4)	587,134,000	14.62	583,064,000	14.52
Other public Shareholders	1,057,710,000	26.35	1,061,780,000	26.45
	<u>4,014,844,000</u>	<u>100.00</u>	<u>4,014,844,000</u>	<u>100.00</u>

*Notes:*

1. Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
2. Immediately prior to Completion, the Vendor was owned by Mr. Wong Choi Hing (王再興) as to approximately 52.70%, Mr. Wang Dwen (王德文) as to approximately 12.98%, Mr. Wang Jianli (王健利) as to approximately 9.48%, Mr. Wang Dekai (王德開) as to approximately 7.42%, Mr. Huang Dehong (黃德宏) as to approximately 6.10%, Mr. Wang Desheng (王德盛) as to approximately 6.10%, Mr. Wang Quanguang (王全光) as to approximately 3.48% and Mr. Wong Sheung Tak (王雙德) as to approximately 1.74%.
3. Immediately prior to Completion, Eminent Ascend was wholly owned by Mr. Wong Sheung Tak (王雙德).
4. Immediately prior to Completion and as at the Latest Practicable Date, Top Amuse Holdings Limited (“**Top Amuse**”) was wholly-owned by Hony Capital Fund 2008, L.P., hence Hony Capital Fund 2008, L.P. was deemed to be interested in the 583,064,000 shares held by Top Amuse. The general partner of Hony

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## LETTER FROM THE BOARD

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Capital Fund 2008, L.P. was Hony Capital Fund 2008 GP, L.P., hence Hony Capital Fund 2008 GP, L.P. was deemed to be interested in the 583,064,000 shares held by Top Amuse. The general partner of Hony Capital Fund 2008 GP, L.P. was Hony Capital Fund 2008 GP Limited, hence Hony Capital Fund 2008 GP Limited was deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Capital Fund 2008 GP Limited was wholly-owned by Hony Group Management Limited, hence Hony Group Management Limited was deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Group Management Limited was also the general partner of Hony Capital 2008 Partners, L.P. Hony Capital 2008 Partners, L.P. controlled 99.44% of the interest of Hony Capital 2008 GP, L.P., hence Hony Capital 2008 Partners, L.P. was deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Managing Partners Limited controlled 80% of the shares of Hony Group Management Limited, hence Hony Managing Partners Limited was deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Managing Partners Limited was wholly-owned by Exponential Fortune Group Limited, hence Exponential Fortune Group Limited was deemed to be interested in the 583,064,000 shares held by Top Amuse. Mr. Zhao John Huan controlled 49% of the shares of Exponential Fortune Group Limited, hence Mr. Zhao John Huan was deemed to be interested in the 583,064,000 shares held by Top Amuse.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Zhongtai Securities” as set out in this Composite Document.

### INTENTIONS OF THE OFFEROR AND THE BOARD REGARDING THE GROUP

Your attention is drawn to the section headed “Intentions of the Offeror regarding the Group” in the “Letter from Zhongtai Securities” as set out in this Composite Document.

The Board is pleased to note that Offeror intends to continue with the Group’s existing principal business and as at the Latest Practicable Date, the Offeror and/or the Company had no intention and had not entered into any agreement, arrangement, understanding or negotiation to acquire/develop any new business of the Company or to downsize or dispose of the Company’s existing business or material operating assets. The Board is also aware that as at the Latest Practicable Date, the Offeror had no intention to introduce any major changes in the Group’s business, which include (i) discontinuing the employment of any employees of the Group (save for the proposed changes to the composition of the Board to be determined), or (ii) redeploying the fixed assets of the Group other than those in its ordinary and usual course of business.

The Board is also aware that the Offeror intends to continue to look for business opportunities such as investment in the property development industry in the PRC and overseas to strengthen the Group’s existing business and will, following the close of the Share Offer, conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review by the Offeror, the Offeror may explore new business opportunities in the property development industry and consider whether any acquisition or disposal will be appropriate in order to enhance the long term growth potential of the Group. The Board notes that the Offeror believes that there will be continued business development in the Group under the management of the new Board. The Board is willing to render reasonable co-operation with the Offeror if it considers that is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Board noted from the section headed “Public Float and Maintaining the Listing Status of the Company” in the “Letter from Zhongtai Securities” contained in this Composite Document that the Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### **RECOMMENDATION**

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 25 to 26 of this Composite Document and the “Letter from Opus Capital” set out on pages 27 to 51 of this Composite Document, which contain, among other things, their advice in relation to the Share Offer and the principal factors considered by them in arriving at their recommendation.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Share Offer.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Offer for inclusion in this Composite Document.*



**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)**

20 September 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
ZHONGTAI INTERNATIONAL SECURITIES LIMITED  
FOR AND ON BEHALF OF  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
HYDOO INTERNATIONAL HOLDING LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to the Composite Document issued jointly by the Offeror and the Company dated 20 September 2019, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether or not the terms of the Share Offer are fair and reasonable and to make a recommendation as to the acceptance of the Share Offer.

Opus Capital has been appointed as the Independent Financial Adviser to advise us in respect of the above. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from Opus Capital” on pages 27 to 51 of the Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We also wish to draw your attention to the “Letter from the Board”, the “Letter from Zhongtai Securities” and the additional information set out in the appendices to this Composite Document.

### RECOMMENDATIONS

Taking into account the terms of the Share Offer and the advice from Opus Capital, we consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Share Offer. The Independent Shareholders are recommended to read the full text of the “Letter from Opus Capital” set out in this Composite Document.

However, in view of the volatility of market conditions and the current market sentiment under the unstable social condition, for those Independent Shareholders who intend to accept the Share Offer, they are strongly reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Share Offer. In any case, the Independent Shareholders are strongly advised that the decision to realize or to continue to hold their Shares is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,

For and on behalf of the

Independent Board Committee of

**Hydoo International Holding Limited**

**Mr. Yuan Bing**

*Non-executive*

*Director*

**Mr. Zhao Lihua**

*Independent*

*non-executive*

*Director*

**Mr. Lam Chi Yuen**

**Nelson**

*Independent*

*non-executive*

*Director*

**Mr. Yue Zheng**

*Independent*

*non-executive*

*Director*

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## LETTER FROM OPUS CAPITAL

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*The following is the text of a letter of advice from Opus Capital, the Independent Financial Adviser to the Independent Board Committee in relation to the Share Offer for the purpose of inclusion in this Composite Document.*



18th Floor, Fung House  
19–20 Connaught Road Central  
Central, Hong Kong

20 September 2019

*To: The Independent Board Committee of  
Hydoo International Holding Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
ZHONGTAI INTERNATIONAL SECURITIES LIMITED  
FOR AND ON BEHALF OF  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
HYDOO INTERNATIONAL HOLDING LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CHINA GUANGDONG – HONG KONG GREATER BAY AREA HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee in connection with the Share Offer. Details of the Share Offer are set out in the Composite Document dated 20 September 2019, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Reference is made to the Joint Announcement dated 13 August 2019 whereby the Vendor, the Vendor Guarantors, the Offeror and the Purchaser Guarantors entered into the Sale and Purchase Agreement on 28 July 2019, pursuant to which the Vendor has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares, being 2,070,000,000 Shares representing approximately 51.56% of the entire issued share capital of the Company as at the date of the Joint Announcement, at a total cash consideration of HK\$631,350,000 (equivalent to HK\$0.305 per Sale Share).

Immediately prior to Completion, none of the Offeror and parties acting in concert with it owns, controls or has direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities. Immediately after Completion which took place on 11 September 2019 and as at the Latest

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## LETTER FROM OPUS CAPITAL

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Practicable Date, the Offeror and parties acting in concert with it owned an aggregate of 2,070,000,000 Shares, representing approximately 51.56% of the entire issued share capital of the Company. Following Completion, the Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer (i.e. the Share Offer) for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising the non-executive Director, namely Mr. Yuan Bing, and all the independent non-executive Directors, namely Mr. Zhao Lihua, Mr. Lam Chi Yuen Nelson and Mr. Yue Zheng, who have no direct or indirect interest in the Share Offer, has been established in accordance with Rules 2.1 and 2.8 of the Takeovers Code to advise and give a recommendation to the Offer Shareholders as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer. Our appointment as the Independent Financial Adviser to advise the Independent Board Committee in the same regard has been approved by the Independent Board Committee.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any connection, financial or otherwise, with the Company, the Vendor, the Vendor Guarantors, the Offeror, the Purchaser Guarantors or any of their respective connected persons, or any party acting, or presumed to be acting, in concert with any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees payable to us in connection with this appointment regarding the Share Offer, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Vendor, the Vendor Guarantors, the Offeror and the Purchaser Guarantors or any of their respective connected persons, or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Share Offer pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, amongst other things:

- (i) the Joint Announcement;
- (ii) the Company's interim report for the six months ended 30 June ("HY") 2019 (the "2019 Interim Report");



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## LETTER FROM OPUS CAPITAL

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- (iii) the Company's annual reports for the years ended 31 December ("FY") 2018 (the "**2018 Annual Report**") and 2017 (the "**2017 Annual Report**"); and
- (iv) other information as set out in the Composite Document.

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the "**Management**") regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Composite Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Composite Document were made after due enquiries and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any such statement contained in the Composite Document misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Share Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

We have not considered the tax and regulatory implications on the Offer Shareholders of acceptance or non-acceptance of the Share Offer since these depend on their individual

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## LETTER FROM OPUS CAPITAL

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circumstances. In particular, the Offer Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

### PRINCIPAL TERMS OF THE SHARE OFFER

Zhongtai Securities for and on behalf of the Offeror, is making the Share Offer, in accordance with Rule 26.1 of the Takeovers Code as follows:

#### 1. The Share Offer

**For each Offer Share . . . . . HK\$0.305 in cash**

The offer price of HK\$0.305 per Offer Share (the “**Offer Price**”) under the Share Offer is the same as the purchase price per Sale Share paid by the Offeror to the Vendor under the Sale and Purchase Agreement. The Share Offer will be extended to all Offer Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the Composite Document.

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares.

#### 2. Irrevocable Undertaking

As at the Latest Practicable Date, Eminent Ascend held 300,000,000 Shares (representing approximately 7.47% of the issued Shares as at the Latest Practicable Date). Eminent Ascend has given an Irrevocable Undertaking in favour of the Offeror, pursuant to which Eminent Ascend has undertaken that it will not, whether directly or indirectly, from the date of the Irrevocable Undertaking until the close of the Share Offer (both dates inclusive): (i) dispose of, charge, pledge, grant any option over or otherwise dispose of or create any encumbrances in respect of the 300,000,000 Shares held by Eminent Ascend; (ii) acquire or agree to acquire any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; or (iii) tender or otherwise make any of its 300,000,000 Shares available for acceptance under the Share Offer. The Irrevocable Undertaking will remain effective until the Share Offer having been withdrawn, lapsed or closed. Save for disclosed above, there are no other circumstances under which the Irrevocable Undertaking may cease to be binding.

We have reviewed the Irrevocable Undertaking and noted that the Irrevocable Undertaking will remain effective until the Share Offer having been withdrawn, lapsed or closed. Save for disclosed above, there are no other circumstances under which the Irrevocable Undertaking may cease to be binding.

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## LETTER FROM OPUS CAPITAL

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### 3. Value of the Share Offer

Assuming that there is no change in the issued share capital of the Company as at the Latest Practicable Date, there were 4,014,844,000 Shares in issue as at the Latest Practicable Date. Based on the Offer Price of HK\$0.305 per Offer Share, the entire issued share capital of the Company was valued at HK\$1,224,527,420 as at the Latest Practicable Date. Excluding 2,070,000,000 Shares held by the Offeror and parties acting in concert with it immediately after Completion, the Share Offer is extended to 1,944,844,000 Shares (before excluding 300,000,000 Shares which are subject to the Irrevocable Undertaking). Based on the Offer Price of HK\$0.305 per Offer Share, the consideration of the Share Offer is HK\$593,177,420.

In the event of any declaration of dividends by the Company, such dividends will not be used to set off against the consideration (or any part thereof) payable to the Offer Shareholders under the Share Offer.

The Offer Shareholders are urged to read the relevant sections in the Composite Document and its appendices in full. The latest time and date for acceptance of the Share Offer is 4:00 p.m. (Hong Kong time) on 9 October 2019, unless extended or revised in accordance with the Takeovers Code.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Share Offer, we have considered the following principal factors and reasons:

#### 1. Business, financial performance and prospects of the Group

##### *A. Business of the Group*

The Company was incorporated in the Cayman Islands with limited liability and the Shares have been listed on the Main Board since 31 October 2013. The Group is principally engaged in developing and operating large-scale trade centers in the PRC. The Group seeks to develop each trade center project into the largest integrated commercial complex in the local region for the wholesale and retail sale of a wide range of products, including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel and small goods. The Group also designs its trade centers to integrate the wholesale trading market properties with other on-site facilities such as shopping malls, commercial and exhibition centers, hotels, residential and office space, warehouses and other logistics facilities. The Group is currently operating 11 trade centers in various cities in the PRC such as Ningxiang, Jining, Yulin, Mianyang, Ganzhou, Wuzhou, Heze, Yantai, Lanzhou, Jiamusi and Liuzhou.

## LETTER FROM OPUS CAPITAL

### ***B. Financial information of the Group***

Set forth below is a summary of the: (i) audited consolidated financial information of the Group for FY2016, FY2017 and FY2018 as extracted from the 2017 Annual Report and the 2018 Annual Report; and (ii) unaudited consolidated financial information of the six months ended HY2018 and HY2019 as extracted from the 2019 Interim Report:

**Table 1: Financial information of the Group**

	<b>HY2019</b>	<b>HY2018</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	633,452	922,619	2,842,202	1,792,421	2,335,777
Gross profit	256,830	363,814	1,142,917	715,812	1,285,916
Profit before tax	103,094	152,962	416,620	713,981	712,463
Profit attributable to the Shareholders	15,896	30,536	106,995	245,573	350,280
<i>Gross profit margin</i>	<i>40.5%</i>	<i>39.4%</i>	<i>40.2%</i>	<i>39.9%</i>	<i>55.1%</i>
<i>Net profit margin</i>	<i>1.6%</i>	<i>3.8%</i>	<i>3.9%</i>	<i>14.2%</i>	<i>15.2%</i>

	<b>As at</b>		<b>As at 31 December</b>		
	<b>30 June</b>		<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>2019</b>		<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(RMB'000)</i>		<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)		(Audited)	(Audited)	(Audited)
Non-current assets	3,716,053		3,525,690	3,142,039	2,603,592
Current assets	11,241,839		11,045,370	11,660,856	12,848,552
Current liabilities	7,746,531		7,354,244	7,990,579	7,319,706
Net current assets	3,495,308		3,691,126	3,670,277	5,528,846
Non-current liabilities	1,947,666		1,937,922	1,593,055	3,025,154
Net asset value (the “NAV”)					
attributable to the Shareholders	5,247,084		5,238,831	5,191,590	4,884,077

*Sources: the 2019 Interim Report, the 2018 Annual Report and the 2017 Annual Report*

#### ***(i) FY2017***

In FY2017, the Group recorded total revenue of approximately RMB1,792.4 million, representing a decrease of approximately RMB543.4 million or approximately 23.3% compared to the total revenue of approximately RMB2,335.8 million recorded in FY2016 which was mainly attributable to the decrease in revenue generated from the sale of properties. In FY2017, the revenue from the sale of properties amounted to

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## LETTER FROM OPUS CAPITAL

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approximately RMB1,697.3 million, representing a decrease of approximately RMB529.3 million or approximately 23.8% compared to the revenue of approximately RMB2,226.6 million recorded in FY2016. The decrease in revenue from the sale of properties was mainly due to the decrease in the gross floor area (“GFA”) of properties sold which declined from 395,823 square metres (“sq.m.”) in FY2016 to 324,082 sq.m. in FY2017, representing a decrease of 71,741 sq.m., or approximately 18.1%.

The Group also recorded gross profit of approximately RMB715.8 million in FY2017, representing a decrease of approximately RMB570.1 million or approximately 44.3% compared to gross profit in FY2016 of approximately RMB1,285.9 million. The Group recorded a decrease in gross profit margin from approximately 55.1% in FY2016 to approximately 39.9% in FY2017 as a result of the decrease in the Group’s government grants which off-set a portion of the Group’s cost of sales.

In FY2017, the Group recorded profit attributable to the Shareholders of approximately RMB245.6 million, representing a decrease of approximately RMB104.7 million or approximately 29.9% compared to that of approximately RMB350.3 million in FY2016. The net effect of the significant reduction in revenue was partially off-set by the substantial increase in other income amounted to approximately RMB491.8 million FY2017, representing an increase of approximately RMB469.8 million or more than 20 times compared to approximately RMB22.0 million in FY2016. The increase in other income was mainly derived from: (i) the one-off disposal of subsidiaries, namely Huaiyuan Hydoo City Development Limited\* (懷遠毅德城發展有限公司) and Xingning Hydoo Trade Logistics City Limited\* (興寧毅德商貿物流城有限公司) and non-current financial assets of approximately RMB321.6 million; and (ii) the income from return of prepaid investment cost in respect of property development projects of approximately RMB178.6 million.

The total assets of the Group decreased by approximately RMB649.2 million or approximately 4.2% from approximately RMB15.5 billion as at 31 December 2016 to approximately RMB14.8 billion as at 31 December 2017. The decrease was mainly attributable to the reduction in inventories which are properties for sale. The total liabilities of the Group also decreased by approximately RMB761.2 million or approximately 7.4% from approximately RMB10.3 billion as at 31 December 2016 to approximately RMB9.6 billion as at 31 December 2017. The decrease was mainly attributable to the reduction in bank loans and other borrowings and senior notes. The NAV attributable to the Shareholders increased slightly by approximately RMB307.5 million or approximately 6.3% from approximately RMB4.9 billion as at 31 December 2016 to approximately RMB5.2 billion as at 31 December 2017, as a result of the net effects discussed the above.

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## LETTER FROM OPUS CAPITAL

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*(ii) FY2018*

In FY2018, the Group recorded total revenue of approximately RMB2,842.2 million, representing an increase of approximately RMB1,049.8 million or approximately 58.6% compared to the total revenue of approximately RMB1,792.4 million recorded in FY2017 which was mainly attributable to the increase in the sale of properties. In FY2018, the Group recorded the revenue from the sale of properties of approximately RMB2,712.5 million, representing a significant increase of approximately RMB1,015.2 million or approximately 59.8% compared to the revenue of approximately RMB1,697.3 million recorded in FY2017. The increase in revenue from the sale of properties was mainly due to the increase in the average sales price of properties sold and the increase in GFA of properties sold. The average sales price increased by RMB1,432 per sq.m. or approximately 27.3%, from RMB5,237 per sq.m. in FY2017 to RMB6,669 per sq.m. in FY2018 and the GFA of properties sold increased by 82,622 sq.m., or approximately 25.5% from 324,082 sq.m. in FY2017 to 406,704 sq.m. in FY2018.

The Group recorded gross profit of approximately RMB1,142.9 million in FY2018, representing an increase of approximately RMB427.1 million or approximately 59.7% compared to gross profit in FY2017 of approximately RMB715.8 million which was mainly attributable to the increase in the sale of properties. The Group recorded a slight increase in gross profit margin from approximately 39.9% in FY2017 to approximately 40.2% in FY2018. The profit attributable to the Shareholders decreased from approximately RMB245.6 million in FY2017 to approximately RMB107.0 million in FY2018, representing a decrease of approximately RMB138.6 million or approximately 56.4% compared to the previous year. Although there was a significant increase in revenue, the contribution of revenue to the Group's profit was, to a great extent, net-off by the significant decrease in: (i) fair value gain on investment properties which reduced from approximately RMB387.9 million in FY2017 to approximately RMB100.6 million in FY2018, representing a reduction of approximately 74.1%; and (ii) other income which decreased from approximately RMB491.8 million in FY2017 to approximately RMB92.4 million in FY2018, representing a decrease of approximately 81.2%. Other income mainly included the gain from disposals and income from return of prepaid investment cost in respect of property development projects. The gain from disposal of subsidiaries and financial assets decreased from over RMB300 million in FY2017 to less than RMB40 million in FY2018. Further, the income from return of prepaid investment cost also decreased from approximately RMB178.6 million in FY2017 to nil in FY2018.

The total assets of the Group decreased by approximately RMB231.8 million or approximately 1.6% from approximately RMB14.8 billion as at 31 December 2017 to approximately RMB14.6 billion as at 31 December 2018 which was mainly attributable to the decrease in inventories and other contract costs. The total liabilities of the Group decreased by approximately RMB291.5 million or approximately 3.0% from approximately RMB9.6 billion as at 31 December 2017 to approximately

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## LETTER FROM OPUS CAPITAL

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RMB9.3 billion as at 31 December 2018 which was mainly attributable to the decrease in trade and other payables. Owing to the above, the NAV attributable to the Shareholders slightly increased by approximately RMB47.2 million or approximately 0.9% from approximately RMB5,191.6 million as at 31 December 2017 to approximately RMB5,238.8 million as at 31 December 2018.

*(iii) HY2019*

In HY2019, the Group recorded total revenue of approximately RMB633.5 million, representing a decrease of approximately RMB289.1 million or approximately 31.3% compared to the total revenue of approximately RMB922.6 million recorded in HY2018 which was mainly attributable to the significant decrease in the sale of properties. In HY2019, the Group recorded revenue from the sale of properties of approximately RMB566.4 million, representing a significant decrease of approximately RMB295.6 million or approximately 34.3% compared to the revenue of approximately RMB862.0 million recorded in HY2018. The decline in revenue from the sale of properties was mainly due to the decrease in both the GFA of properties sold and the average sales price of properties sold. The GFA of properties sold decreased by 39,273 sq.m., or approximately 28.2% from 139,257 sq.m. in HY2018 to 99,984 sq.m. in HY2019 and the average sales price decreased by RMB525 per sq.m., or approximately 8.5%, from RMB6,190 per sq.m. in HY2018 to RMB5,665 per sq.m. in HY2019.

The Group recorded gross profit of approximately RMB256.8 million in HY2019, representing a decrease of approximately RMB107.0 million or approximately 29.4% compared to gross profit in HY2018 of approximately RMB363.8 million which was mainly attributable to the decrease in the sale of properties. The Group recorded a slight increase in gross profit margin from approximately 39.4% in HY2018 to approximately 40.5% in HY2019. The profit attributable to the Shareholders declined from approximately RMB30.5 million in HY2018 to approximately RMB15.9 million in HY2019, representing a drop of approximately RMB14.6 million or approximately 47.9% compared to HY2018. Although there was an increase in other income, which mainly included the net gain on disposal of subsidiaries, from approximately RMB77.6 million in HY2018 to approximately RMB241.5 million in HY2019, representing an increase of approximately RMB163.9 million or approximately 211.2%, the increase was, to a great extent, net-off by the significant decrease in fair value gain on investment properties which reduced from approximately RMB145.3 million in HY2018 to approximately RMB30.7 million in HY2019, representing a reduction of approximately RMB114.6 million or approximately 78.9%.

The total assets of the Group increased by approximately RMB386.8 million or approximately 2.7% from approximately RMB14.6 billion as at 31 December 2018 to approximately RMB15.0 billion as at 30 June 2019 which was mainly attributable to the increase in other financial assets that mainly included the unlisted equity securities not held for trading. The total liabilities of the Group increased by approximately



RMB402.0 million or approximately 4.3% from approximately RMB9.3 billion as at 31 December 2018 to approximately RMB9.7 billion as at 30 June 2019 which was mainly attributable to the increase in contract liabilities. In view of the above, the NAV attributable to the Shareholders barely increased by approximately RMB8.3 million or approximately 0.2% from approximately RMB5,238.8 million as at 31 December 2018 to approximately RMB5,247.1 million as at 30 June 2019.

*(iv) Analysis*

In FY2017, the Group recorded reduction in most of the financial indicators such as revenue, gross profit, profit attributable to the Shareholders, gross profit margin and net profit margin. Although the Group recorded an increase in revenue and gross profit in FY2018, the gross profit margin recorded a minimal increase from approximately 39.9% to 40.2% and the profit attributable to the Shareholders continued to slide downwards due to the significantly reduced fair value gain on investment properties as well as other income attributable to gain from disposals of subsidiaries and financial assets. In HY2019, the Group experienced reduction in most of the financial indicators again such as revenue, gross profit, profit attributable to the Shareholders and net profit margin while only the gross profit margin recorded a minimal increase from approximately 39.4% to 40.5%. We are of the view that the gains from disposals of subsidiaries and financial assets, which contributed a significant portion of other income in HY2019, FY2018 and FY2017, were one-off and fluctuated vastly and would not be sustainable as the gross amount of which dropped from over RMB300 million in FY2017 to less than RMB40 million in FY2018 and increased to over RMB200 million in HY2019. Likewise, given the current property development industry downturn (details of which have been discussed in the sub-section below), there may be uncertainty as to whether there would be fair value gain recorded on the Group's investment properties in the coming years.

**C. Industry overview**

The property development industry in the PRC experienced a constant growth from 2015 to 2017 while a sign of downturn is observed since 2018. According to the statistics published by the National Bureau of Statistics of China\* (中國國家統計局), the annual growth rates of the amount of commercial property sold were approximately 19.5%, 25.3% and 0.7% in 2016, 2017 and 2018 respectively. The total annual amount of commercial property sold increased from approximately RMB884.6 billion in 2015 to approximately RMB1,334.9 billion in 2018. In the first half of 2019, the total amount of commercial property sold was approximately RMB519.7 billion, representing a decrease of approximately RMB57.7 billion or approximately 10.0% compared with the corresponding period in 2018. For the macro-economic development, the increasing trend of the gross domestic product ("GDP") in the PRC was lowered since 2017. The GDP in the PRC recorded an annual growth rate of approximately 6.7% in 2016 and increased slightly to approximately 6.8% in 2017 but reduced to approximately 6.6% in 2018 and further reduced to approximately 6.3% in the first half of 2019 compared to the corresponding



period in 2018. Based on these economic statistics, it appeared that the PRC's economy has shifted from a phase of rapid growth to a phase of moderate growth but characterised by high-quality development in, among others, the retail, high-tech manufacturing, big data, internet sectors. A downturn in both the amount of commercial property sold in property development industry and the GDP is observed which helped to explain the large inventory and low sales in property development industry in recent years. Further, we noted that there have been strong signs of downturn in the property development industry in the first half of 2019: (i) the GFA of land acquisition by real estate developers decreased by approximately 27.5% compared to the corresponding period in 2018; (ii) the completion of newly developed real estate projects, in terms of GFA, decreased by approximately 12.7% compared to the corresponding period in 2018; and (iii) the sales amount in office buildings and commercial buildings recorded a decrease of approximately 12.5% and 10% respectively compared to the corresponding period in 2018.

As published by the National Bureau of Statistics of China, the National Real Estate Climate Index\* (國房景氣指數) indicated that the prospect of the real estate market in the PRC may not be as optimistic as how the investors perceive. Between 2015 and 2019, the relevant index reached a plateau at 102.02 in September 2018 and commenced a downward trend and decreased to 100.89 in June 2019, representing a reduction of approximately 1.1% in nine months.

### ***D. Business prospects of the Group***

As set out in the 2019 Interim Report, during the first half of 2019, the property development and investment in the PRC increased by approximately 10.9% year-on-year, representing a decrease in the growth by approximately 0.9% from the first quarter. The sale of the areas of commercial housing in the PRC decreased by approximately 1.8%, and the sale of commercial housing in the PRC increased by approximately 5.6% year-on-year, representing a flattish growth as compared to that of the first quarter.

On 10 August 2019, the China Banking and Insurance Regulatory Commission\* (中國銀行保險監督管理委員會) (the “**CBIRC**”) published the notice of special inspection on real estate business of banking institution\* (中國銀保監會辦公廳關於開展2019年銀行機構房地產業務專項檢查的通知) (the “**Notice**”). As stated in the Notice, the CBIRC upheld the concept of “Housing is for living, but not for speculation”. To prevent the formation of bubble in the real estate market, the banking institutions with businesses heavily concentrated in real estate will be inspected by the CBIRC regarding their internal control and regulation. The CBIRC will conduct intensive inspection on the potential violation of funds invested into the real estate market through illegal channels. Meanwhile, the CBIRC will put in place the centralisation of management for land development loan and land reserve loan together with the source of funds verification and minimum capital requirement. The new policy will further increase the financing cost and difficulty in obtaining financing for real estate developers. The Management foresees that the leveraging capacity and flexibility of the real estate enterprises will be further limited and the

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## LETTER FROM OPUS CAPITAL

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increasing financing costs will certainly constitute one of the critical challenges to be tackled by real estate developers in 2019.

As mentioned in the 2019 Interim Report, to cope with challenging economic situation, the Group adopted a strategy to liquidate its inventory and maintain proper pace of its development to ensure a sustainable and stable growth of the Group. During the six months ended 30 June 2019, the Group recorded contracted sales of approximately RMB1,471.6 million and contracted sales area of 261,619 sq.m., representing increases of approximately 135.7% and 138.3% respectively. The increased contracted sales were primarily in relation to the presale of residential projects in Ganzhou, Jining and Wuzhou. Regarding project operations, the Group strived to speed up the turnover, integrate sales resources, speed up the recycle of inventory assets into funds, reduce costs, fully evaluate policy factors, phases of project development and market demands, rationally arrange product structure and construction period, and grasp the pace of development to enhance its ability to respond to market changes.

The Company gave a mixed view of the Group's prospects in the 2019 Interim Report. It recognised that the current onshore and offshore economic environment has been complicated and severe, with the slowdown of global economic growth, an increase of the factors of external instability and uncertainty, the PRC economy is facing a new round of downward pressure, and there has been a prominent imbalance and inadequacy of domestic growth. On the other hand, the Company noted that under the current operating environment, almost all leading real estate enterprises have chosen diversified business directions, including the integration of such themes as cultural tourism and health service elements into their property projects, and establishing a presence in high-tech industry and new energy industry. In this connection, the Group's efforts in diversification can be seen in: (i) the entering into of a strategic partnership with Shenzhen Industry-University-Research Institute Collaboration Association\* (深圳產學研合作促進會) ("SZIUR") in late December 2018; and (ii) the entering into of a strategic cooperation agreement with Shenzhen Science & Industry Park Group Co., Ltd. In addition, the Company mentioned in the 2019 Interim Report that the Group has been actively seeking to upgrade and enrich its business segments with respect to tourism, health service and real estate industry supported and promoted by national policies.

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## LETTER FROM OPUS CAPITAL

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### 2. Principal terms of the Share Offer

The offer price of HK\$0.305 per Offer Share represents:

- (a) a discount of approximately 29.9% to the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on 26 July 2019, being the Last Trading Day;
- (b) a discount of approximately 23.2% to the average closing price of approximately HK\$0.397 per Share quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a discount of approximately 23.0% to the average closing price of approximately HK\$0.396 per Share quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 16.2% to the average closing price of approximately HK\$0.364 per Share quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 15.3% to the average closing price of approximately HK\$0.360 per Share quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) discount of approximately 79.4% to the unaudited consolidated NAV attributable to the Shareholders per Share of approximately HK\$1.483 as at 30 June 2019, calculated based on the Group's unaudited consolidated NAV attributable to the Shareholders of approximately HK\$5,956.0 million as at 30 June 2019 and 4,014,844,000 Shares in issue as at the Latest Practicable Date; and
- (g) a discount of approximately 17.6% to the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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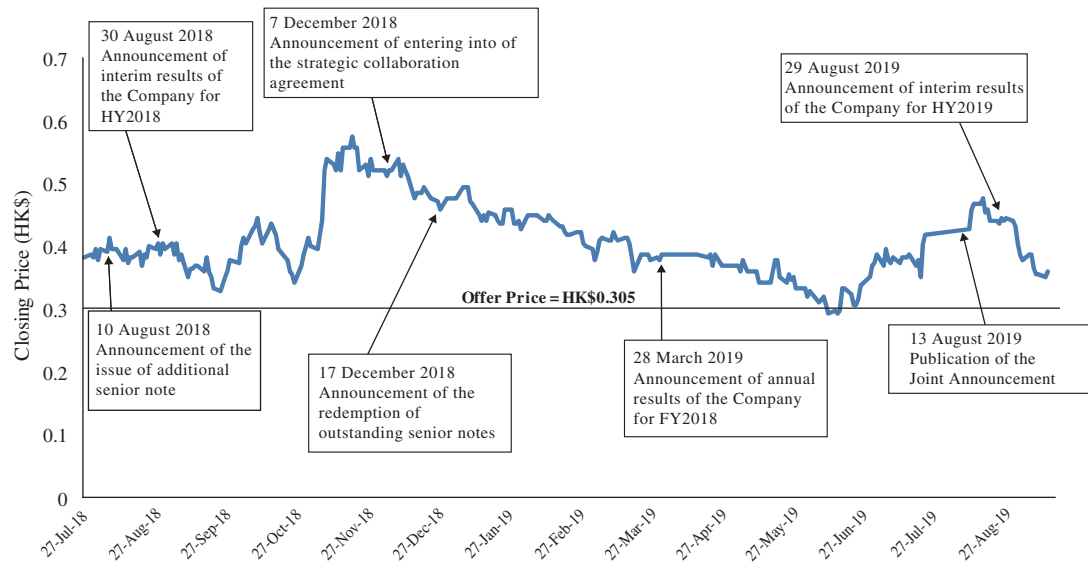
## LETTER FROM OPUS CAPITAL

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### A. Historical price performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 27 July 2018, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “Review Period”):

**Chart 1: Share price performance during the Review Period**



Source: the Stock Exchange

Note: Trading in the Shares was suspended on 29 July 2019 pending the publication of the Joint Announcement.

As illustrated in the chart above, during the Review Period, the closing Share price ranged from the lowest closing price of HK\$0.295 per Share as recorded on 18 June 2019 to the highest closing price of HK\$0.610 per Share as recorded on 20 November 2018, with an average price of approximately HK\$0.425 per Share. The Offer Price is lower than the closing Share price as at the Last Trading Day, and represents a discount of approximately 29.9%, 17.6% and 79.4% over the closing Share price on the Last Trading Day, the closing Share price as at the Latest Practicable Date and the NAV per Share as at 30 June 2019, respectively.

During the period commencing from 27 July 2018 to 26 October 2018, the closing Share price oscillated between HK\$0.335 and HK\$0.465 per Share. The closing Share price was HK\$0.350 per Share on 26 October 2018.

We have reviewed the Share price movement during this period and noted the following notable events: (i) the release of the announcement on 10 August 2018 where the Company issued additional senior notes in the principal amount of US\$27 million which

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## LETTER FROM OPUS CAPITAL

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carried an interest of 12% per annum and will be due in 2020; and (ii) the release of the unaudited interim results announcement of the Company for HY2018 on 30 August 2018.

From its low of HK\$0.350 per Share on 26 October 2018, the closing Share price displayed an upward trend and attained the Review Period's Share price peak of HK\$0.610 per Share on 20 November 2018. After reaching the aforesaid peak of HK\$0.610 per Share on 20 November 2018, the closing Share price spiralled downward over the course of seven months and gradually reached its lowest point at HK\$0.295 per Share on 18 June 2019.

We have reviewed the Share price movement during this period and noted the following notable events: (i) the release of a voluntary announcement on 7 December 2018 about the entering in the strategic collaboration agreement between the Company and SZIUR, pursuant to which the Company and the association have agreed to establish a strategic collaboration relationship to provide priority on cooperation and support to each other in terms of platform, conference activities, business and brand; (ii) the release of an announcement on 17 December 2018 regarding the completion of the redemption of the outstanding senior notes in the principal amount of US\$61.6 million which carried an interest of 13.75% due in 2018; and (iii) the release of annual results announcement of the Company for FY2018 on 28 March 2019 where the Company posted a significant reduction on profit attributable to the Shareholders in FY2018 by approximately 56.4% when compared to FY2017. The Management is not aware of any particular reason for the decreasing Share price movement from 20 November 2018 to 27 March 2019. For the period from 28 March 2019 to 18 June 2019, the release of the annual results announcement of the Company of FY2018 shed more light on the Share price movement during this period. As discussed in the sub-section headed "B. Financial information of the Group" under the section headed "1. Business, financial performance and prospects of the Group" above, the Group record a significant reduction in the profit attributable to the Shareholders by approximately 56.4% compared to FY2017. In our view, with the material worsening of the profit generating ability of the Group in FY2018, the market would have factored the fundamental underlying economics of the Group into the Share price during this period.

After reaching the bottom at HK\$0.295 per Share on 18 June 2019, the closing price of the Shares demonstrated a gradual upward trend from 18 June 2019 onwards and reached HK\$0.435 per Share on the Last Trading Day. We have reviewed the Share price movement during this period and did not note any notable event. The Management is not aware of any particular reason for the increasing Share price movement during the said period up to and including the Last Trading Day.

At the request of the Company, trading in the Shares was suspended from 29 July 2019 to 13 August 2019 and the Joint Announcement was published on 13 August 2019. Upon the resumption of trading in the Shares on 14 August 2019 (the "**First Trading Day**"), the closing price of the Shares increased slightly from HK\$0.435 per Share on the Last Trading Day to HK\$0.445 per Share on 14 August 2019 and it increased by approximately 7.9% to HK\$0.48 per Share on 15 August 2019 (being the second trading

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## LETTER FROM OPUS CAPITAL

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day after the publication of the Joint Announcement) as compared to HK\$0.445 per Share on the day before. The closing Share price then oscillated in a band of HK\$0.36 and HK\$0.50 with the price of the Shares closed at HK\$0.37 as at the Latest Practicable Date.

The increase in the closing Share price movement from the First Trading Day to 20 August 2019 would have been due to market initial reaction to the Share Offer. The closing Share price movement subsequently showed a general declining trend after 20 August 2019 and up to and including the Latest Practicable Date supports our view that the fundamental underlying economics of the Group would have been built into the closing Share price.

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## LETTER FROM OPUS CAPITAL

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### ***B. Historical trading volume of the Shares***

The following table sets out the trading volume of the Shares during the Review Period:

**Table 2: Trading volume of the Shares during the Review Period**

	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Average daily trading volume to the total number of Shares in issue (Approximate %) (Note 1)	Average daily trading volume to the number of Shares held by public Shareholders (Approximate %) (Note 2)
<b>2018</b>					
July (From 27 July)	4,586,000	3	1,528,667	0.038	0.145
August	4,188,000	23	182,087	0.005	0.017
September	9,479,999	19	498,947	0.012	0.047
October	25,218,000	21	1,200,857	0.030	0.114
November	53,958,000	22	2,452,636	0.061	0.232
December	9,816,000	19	516,632	0.013	0.049
<b>2019</b>					
January	9,956,000	22	452,545	0.011	0.043
February	4,462,000	17	262,471	0.007	0.025
March	4,604,000	21	219,238	0.005	0.021
April	3,524,000	19	185,474	0.005	0.018
May	5,167,944	21	246,093	0.006	0.023
June	15,122,000	19	795,895	0.020	0.075
July (Note 3)	16,914,000	19	890,211	0.022	0.084
August (Note 3)	30,304,441	13	2,331,111	0.058	0.220
September (up to the Latest Practicable Date)	8,494,000	12	707,833	0.018	0.067

*Source: the Stock Exchange*

*Notes:*

1. The calculation is based on the average of the daily trading volume of the Shares divided by the total Shares in issue in the relevant period.
2. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by public Shareholders based on the information as set out under the section headed "Shareholding Structure of the Company" in the Letter from the Board in the Composite Document.

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## LETTER FROM OPUS CAPITAL

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3. Trading in the Shares was suspended from 29 July 2019 to 13 August 2019 and resumed on 14 August 2019 so there were only 13 trading days in August 2019.

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 182,000 Shares to 2,453,000 Shares, representing: (i) approximately 0.005% to approximately 0.061% of the total number of issued Shares; and (ii) approximately 0.017% to approximately 0.232% of the number of Shares held by public Shareholders.

The average daily trading volume for the first six months (from 27 July 2018 to 31 January 2019) of the Review Period was approximately 908,543 Shares which was more than double the average daily trading volume from 1 February 2019 to the Last Trading Day of approximately 429,258 Shares. The trading volume demonstrated a downward trend and was relatively thin in general throughout the Review Period and in particular in 2019.

On the First Trading Day, the trading volume of the Shares increased to approximately 19,552,000 Shares, representing approximately 1.85% of the number of Shares held by public Shareholders. We believe such increase in trading volume of the Shares was likely to be the result of the market reaction to the Joint Announcement. Although the trading volume of the Shares was active on the First Trading Day, the average daily trading volume reduced to approximately 2,331,111 Shares and 707,833 Shares in August and September up to the Latest Practicable Date respectively, representing: (i) approximately 0.058% to approximately 0.018% of the total number of issued Shares; and (ii) approximately 0.220% to approximately 0.067% of the number of Shares held by public Shareholders.

Given the generally thin liquidity of the Shares during the Review Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Offer Shareholders to dispose of a significant number of the Shares in the open market without depressing the Shares price. We therefore consider that the Share Offer provides the Offer Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of part or all of their Shares at the Offer Price if they wish to.



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## LETTER FROM OPUS CAPITAL

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### *C. Comparison with other comparable companies*

We understand that the Group is principally engaged in the development, operation and sale of large-scale trade centers in the PRC. In assessing the fairness and reasonableness of the Offer Price, we have identified comparable companies (the “**Industry Comparables**”) which are engaged in similar principal business activities as those of the Group with the following selection criteria as at the Latest Practicable Date:

- (i) listed on Stock Exchange;
- (ii) with over 75% of the latest reported annual revenue was generated from commercial property development and/or investment in the PRC;
- (iii) with over 50% of the latest reported annual revenue was related to the sale of commercial properties (i.e. includes logistics and trade centers, outlets, agricultural markets, stores and shops but excludes hotels and offices); and
- (iv) the trading of shares has not been suspended for more than three months.

We adopted the above criteria because there was a large number, as much as over 100, of Hong Kong-listed property companies with principal business in the PRC. Much of this population develop and sell residential properties as the principal source of revenue and income. Many of the listed property investment groups keep their property investments in the form of shopping malls, hotels and offices that are lease out for rentals. We are of the view that residential and commercial properties are two distinctive property nature which target different group of customers. As such, these companies do bear minimal resemblance with the principal business of the Company where the revenue attributable to the sale of commercial properties (not residential properties) had accounted for more than 50% of the Group’s revenue for FY2018 and FY2017.

Based on the above selection criteria and based on our best effort, 3 Industry Comparables are identified. In view of the niche market of commercial property development and operation industry, although the number of industry participants listed on the Stock Exchange that meet the aforesaid selection criteria is limited, they are still fully representative of such a niche market. As such, we consider that the 3 Industry Comparables identified by us, though not a big comparable population and may have vastly different size of market capitalisation, to be an exhaustive, appropriate and representative population for the purpose of arriving at a meaningful comparison to the Offer Price.

For the selection of the valuation multiple, we have given regard to price-to-sales ratio (“**P/S ratio**”), price-to-earnings ratio (“**P/E ratio**”) and price-to-book ratio (“**P/B ratio**”). We understand that the P/S ratio captures the business scale of the subject company but it is not adopted in our analysis due to its deficiency in capturing the cost structure of the Industry Comparables. We note that 2 out of the 3 Industry Comparables incurred a loss in the latest reported financial year and the remaining Industry Comparable was considered

## LETTER FROM OPUS CAPITAL

insufficient to provide a general reference for our analysis. As such, the P/E ratio was not adopted in our analysis. In addition, we note P/B ratio is relatively effective in conducting valuation for asset-based companies, where significant capital expenditure is required to start and operate such businesses and the business mode of which involved ownership and/or leasing of fixed assets that called for significant upfront capital investment. Based on the above, we consider the P/B ratio to be the most appropriate method.

Set out below are 3 Industry Comparables together with the relevant P/B ratios.

**Table 3: Details of the Industry Comparables**

No	Company (stock code)	Company descriptions	Market capitalisation (HK\$' million) (Note 1)	NAV attributable to shareholders (HK\$' million) (Notes 2 and 3)	P/B ratio (x)
1	Beijing Capital Grand Limited (1329)	Beijing Capital Grand Limited is principally engaged in commercial property development, with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlets retail property projects in the PRC.	1,163.5	6,202.0	0.19
2	China South City Holdings Limited (1668)	The principal activities of China South City Holdings Limited is developing and operating large-scale integrated logistics and trade centers in the PRC. The company also sells trade center units for businesses to display and sell their respective products.	8,036.0	35,990.6	0.22
3	China Agri-Products Exchange Limited (149) ("CAP")	CAP is principally engaged in the management and sale of properties in agricultural produce exchange markets in the PRC.	656.9	1,213.5	0.54
<b>Maximum</b>					<b>0.54</b>
<b>Minimum</b>					<b>0.19</b>
<b>Average</b>					<b>0.32</b>
<b>Median</b>					<b>0.22</b>
<b>The Company (1396)</b>			<b>1,224.5</b> (Note 4)	<b>5,956.0</b>	<b>0.21</b>

Source: the Stock Exchange

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## LETTER FROM OPUS CAPITAL

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*Notes:*

1. The market capitalisations as at the Latest Practicable Date.
2. The NAV attributable to shareholders were extracted from the respective latest published interim reports or annual reports of the Industry Comparables.
3. The above NAV attributable to shareholders figures were translated from RMB to HK\$, if applicable, by applying an exchange rate of RMB1=HK\$1.1351.
4. The implied market capitalisation of the Company under the Share Offer is calculated by multiplying the Offer Price and the number of issued Shares of 4,014,844,000 Shares as at the Latest Practicable Date.

We note that CAP released an inside information announcement around noon of 12 September 2019, which was after a significant surge of share price and trading volume amidst a possible transaction subject to the Takeovers Code. The increase of the closing share price of CAP was sharp and abrupt, increasing from HK\$0.047 on 9 September 2019 to HK\$0.066 as at the Latest Practicable Date, representing a significant increase of approximately 40.4%.

As shown in the table above, the P/B ratios of the Industry Comparables range from approximately 0.19 time to approximately 0.54 time, with average P/B ratio of approximately 0.32 time and median P/B ratio of approximately 0.22 time. We note that the implied P/B ratio of the Company under the Share Offer of approximately 0.21 time falls within the range of P/B ratios of the Industry Comparables. Although it is below the average of P/B ratio of the Industry Comparables, it is very close to the median P/B ratio of the Industry Comparables.

### 3. Information of the Offeror and the intentions of the Offeror in relation to the Group

#### A. Information on the Offeror

As stated in the “Letter from Zhongtai Securities” contained in the Composite Document, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is owned by Ruixinhaide Holdings Limited (瑞信海德控股有限公司) (“**RXHD Holdings**”), Hakka Park International Group Co Ltd. (客天下國際集團有限公司) (“**Hakka Park**”) and Bowie Resources Limited (寶裕資源有限公司) (“**Bowie Resources**”) as to 40%, 40% and 20%, respectively. The directors of the Offeror are Mr. Zeng Yunshu (曾雲樞) (“**Mr. YS Zeng**”), Mr. Cai Hongwen (蔡鴻文) (“**Mr. HW Cai**”) and Mr. Cheung Yi Wan (張宜環) (“**Mr. Cheung**”). As at the Latest Practicable Date, save for the entering into of the Sale and Purchase Agreement, the Offeror has not engaged in any other business activities.

RXHD Holdings is owned as to 70% by Junsheng Holdings Limited (君勝控股有限公司) (“**Junsheng Holdings**”), 20% by Mr. YS Zeng and 10% by Ms. Wei Haiyan (魏海燕) (“**Ms. Wei**”). Junsheng Holdings is a company incorporated in Hong Kong, all the issued shares of which are owned by Mr. Zeng Sheng (曾勝) (“**Mr. S Zeng**”). The directors of

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## LETTER FROM OPUS CAPITAL

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Junsheng Holdings are Mr. S Zeng and Mr. YS Zeng. The directors of RXHD Holdings are Mr. S Zeng, Mr. YS Zeng and Ms. Wei. Mr. YS Zeng is the father of Mr. S Zeng. From January 2007 to June 2012, Mr. YS Zeng was an executive director of Hong Long Holdings Limited (now known as Suncity Group Holdings Limited) (stock code: 1383) (“**Hong Long**”), the shares of which are listed on the Stock Exchange. Mr. S Zeng was the ultimate controlling shareholder of Hong Long since its listing on the Stock Exchange until 5 October 2010 and was an executive director of Hong Long since its listing on the Stock Exchange until 14 January 2011. Mr. YS Zeng has extensive experience in the development and management of properties and Mr. S Zeng has extensive experience in property investment and commercial management.

Hakka Park is owned as to 60% by Mr. HW Cai, 20% by Mr. Cai Xuefeng (蔡雪峰) (“**Mr. XF Cai**”) and 20% by Mr. Cai Xueshan (蔡雪山) (“**Mr. XS Cai**”). The sole director of Hakka Park is Mr. HW Cai. Mr. HW Cai is the father of Mr. XF Cai and Mr. XS Cai. Mr. HW Cai has experience in the development and management of properties (including tourism resort) in the PRC.

The entire issued share capital of Bowie Resources is owned by Ms. Luo Yanling (羅雁玲) (“**Ms. Luo**”), the spouse of Mr. Cheung. The sole director of Bowie Resources is Mr. Cheung. Both Mr. Cheung and Ms. Luo have experience in property construction and property leasing in the PRC.

As disclosed above, each of Mr. YS Zeng, Mr. HW Cai and Mr. Cheung has experience in the property development industry in the PRC in which the Group is principally engaged.

As at the Latest Practicable Date, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them were third parties independent of and not connected with the Company and its connected person.

### ***B. Intentions of the Offeror regarding the Group***

As stated in the paragraph headed “Intentions of the Offeror regarding the Group” in the “Letter from Zhongtai Securities” contained in the Composite Document, the Offeror became the controlling shareholder of the Company immediately after Completion.

It is the intention of the Offeror to continue with the Group’s existing principal business. As at the Latest Practicable Date, the Offeror and/or the Company had no intention and had not entered into any agreement, arrangement, understanding or negotiation to acquire/develop any new business of the Company or to downsize or dispose of the Company’s existing business or material operating assets. As at the Latest Practicable Date, the Offeror had no intention to introduce any major changes in the Group’s business, which include (i) discontinuing the employment of any employees of the Group (save for the proposed changes to the composition of the Board to be determined);

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## LETTER FROM OPUS CAPITAL

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or (ii) redeploying the fixed assets of the Group other than those in its ordinary and usual course of business.

Leveraging on the experience of the directors of the Offeror in the property development industry in PRC, the Offeror intends to continue to look for business opportunities such as investment in the property development industry in the PRC and overseas to strengthen the Group's existing business and will, following the close of the Share Offer, conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, the Offeror may explore new business opportunities in the property development industry and consider whether any acquisition or disposal will be appropriate in order to enhance the long term growth potential of the Group. The Offeror believes that there will be continued business development in the Group under the management of the new Board. As mentioned in the Letter from the Board in the Composite Document, the Board stated that it is willing to render reasonable co-operation to the Offeror if it considers that it is in the interests of the Company and the Shareholders as a whole.

The Offeror intends to nominate new Director(s) to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror had not identified any candidate(s) for the new Director(s) to be appointed to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

### ***C. Maintaining the listing status of the Company***

As stated in the "Letter from Zhongtai Securities" contained in the Composite Document, the Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends for the Company to remain listed on the Stock Exchange. The directors of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

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## LETTER FROM OPUS CAPITAL

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### RECOMMENDATION

In view of the above and having considered in particular that:

- (i) the Group's deteriorating financial performance during FY2018 and HY2019 without the one-off disposal gains from sale of subsidiaries and financial assets and fair value gain on the Group's investment properties as discussed in the paragraph headed "B. Financial Information of the Group" under the section headed "1. Business, financial performance and prospects of the Group" above;
- (ii) owing to the challenges faced by the Chinese economy, there have been strong signs of downturn in the property development industry in the first half of 2019 as discussed in the paragraph headed "C. Industry overview" and "D. Business prospects of the Group" under the section headed "1. Business, financial performance and prospects of the Group" above;
- (iii) We note that the closing Share price showed a declining trend over the course of seven months after 20 November 2018 and gradually reached its lowest point at HK\$0.295 per Share, which was below the Offer Price, on 18 June 2019. Although the Offer Price is at a discount of approximately 29.9% to the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on the Last Trading Day, the Share price performance continued to show a general declining trend after 20 August 2019 and up to and including the Latest Practicable Date supports our view that the fundamental underlying economics of the Group, which is experiencing a downturn in the property development industry and showing a declining financial performance, would have been built into the closing Share price;
- (iv) although the implied P/B ratio of the Company under the Offer of approximately 0.21 time is below the average P/B ratio of the Industry Comparables, it is very close to the median P/B ratio of the Industry Comparables; and
- (v) the trading volume of Shares had been low during the Review Period. It is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price,

we consider that the terms of the Share Offer to be fair and reasonable so far as the Offer Shareholders are concerned. We, therefore, recommend the Independent Board Committee to advise the Offer Shareholders to accept the Share Offer. In view of the volatility of market conditions and the current market sentiment under the unpredictable social condition, those Offer Shareholders who intend to accept the Share Offer are strongly reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer after having regard to the market price and the liquidity of the Shares.

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## LETTER FROM OPUS CAPITAL

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Given the background of the Offeror as detailed in the “Letter from Zhongtai Securities” contained in the Composite Document, those Offer Shareholders who are attracted by or confident in the future prospects of the Group may consider to retain their Shares in full or in part. In view of the historical low liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period, we would like to remind the Offer Shareholders that if they consider to retain their Shares or tendering less than all their Shares under the Share Offer, they should carefully take into consideration the potential difficulties they may encounter in disposing their Shares after the close of the Share Offer. The Offer Shareholders are strongly advised that the decision to realise or to continue to hold their Shares is subject to individual circumstances and investment objectives.

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**

**Koh Kwai Yim**  
*Executive Director*

**Cheung On Kit Andrew**  
*Director*

*Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 17 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.*

*Mr. Cheung On Kit Andrew is a Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 10 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

*\* For identification purpose only*



**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER**

To accept the Share Offer, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer, by post or by hand, to the Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong in an envelope marked “**Hydoo International Holding Limited – Share Offer**” as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked “**Hydoo International Holding Limited – Share Offer**” the duly completed and signed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Hydoo International Holding Limited – Share Offer**” the duly completed and signed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any



other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf in respect of the number of Shares for which you intend to accept the Share Offer on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the Form(s) of Acceptance should nevertheless be duly completed, signed and delivered in an envelope marked **“Hydoo International Holding Limited – Share Offer”** to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar.
- (d) If you have lodged transfer of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form(s) of Acceptance and deliver it in an envelope marked **“Hydoo International Holding Limited – Share Offer”** to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the

Offeror and/or Zhongtai Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form(s) of Acceptance.

- (e) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form(s) of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance to the Takeovers Code) and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
  - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Offer Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form(s) of Acceptance is executed by a person other than the registered Offer Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty for transfer of Shares registered in the seller's name by the Company through the Registrar arising in connection with acceptance of the Share Offer will be payable by the relevant Offer Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Offer Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Offer Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (h) No acknowledgement of receipt of any Form(s) of Acceptance and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Share Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form(s) of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form(s) of Acceptance, and the Share Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Share Offer has been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Share Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Share Offer, to those Offer Shareholders who have not accepted the Share Offer.
- (d) If the Offeror revises the terms of the Share Offer, all Offer Shareholders, whether or not they have already accepted the Share Offer, will be entitled to the revised terms. The revised Share Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

## **3. ANNOUNCEMENTS**

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Share Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Share Offer has been extended, revised or has expired. Such announcement must state the following:
  - (i) the total number of Shares and rights over Shares for which acceptances of the Share Offer have been received;
  - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and the parties acting in concert with it before the Offer Period;

- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period;
  - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold; and
  - (v) the percentages of the relevant classes of issued share capital of the Company, and the percentages of voting rights, represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Share Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Share Offer, in respect of which the Executive has confirmed that it has no further comments, will be published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.hydoo.com.cn](http://www.hydoo.com.cn)).

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Share Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Offer Shareholders who have tendered acceptance to the Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Offer Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Offer Shareholder(s).

**5. SETTLEMENT OF THE SHARE OFFER**

Provided that the accompanying Form(s) of Acceptance for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholders in respect of the Shares tendered under the Share Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Offer Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Share Offer will be paid by the Offeror in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form(s) of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

**6. OVERSEAS OFFER SHAREHOLDERS**

The making of the Share Offer to the Overseas Offer Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Offer Shareholders should obtain appropriate legal advice regarding the implications of the Share Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Offer Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Share Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes). The Offeror, parties acting in concert with it, the Company, Zhongtai Securities, Opus Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Share Offer shall be entitled to be fully indemnified and held harmless by the Overseas Offer Shareholders for any taxes they may be required to pay. Acceptance of the Share Offer by any Overseas Offer Shareholder will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Overseas Offer Shareholders should consult their professional advisers if in doubt. Overseas Offer Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

**7. TAX IMPLICATIONS**

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Share Offer. It is emphasised that none of the Offeror, parties acting in concert with it, the Company, Zhongtai Securities, Opus Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Share Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

**8. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with it, the Company, Zhongtai Securities, Opus Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Share Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Zhongtai Securities that the Shares tendered under the Share Offer are sold or tendered by such Offer Shareholder(s) free from all Encumbrances and together with all rights and benefits attached thereto, including all rights to any dividends or other distributions, declared, made or paid on or after the date on which the Share Offer is made.
- (c) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Share Offer.
- (d) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms of the Share Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form(s) of Acceptance or either of them to any person to whom the Share Offer is made shall not invalidate the Share Offer in any way.
- (f) The Share Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

- (g) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror and/or Zhongtai Securities and/or such person or persons as any of them may direct to complete and execute on behalf of the person(s) accepting the Share Offer, and to do any other act(s) that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Share Offer.
- (h) The Share Offer is made in accordance with the Takeovers Code.
- (i) References to the Share Offer in this Composite Document and in the Form(s) of the Acceptance shall include any extension and/or revision thereof.
- (j) The English texts of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for each of the three financial years ended 31 December 2018, as extracted from (i) the published annual reports of the Company for the relevant years; and (ii) the published interim report of the Company for the six months ended 30 June 2019.

	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the year ended 31 December		
	RMB'000	RMB'000	2018	2017	2016
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	633,452	922,619	2,842,202	1,792,421	2,335,777
Gross profit	256,830	363,814	1,142,917	715,812	1,285,916
Profit before taxation	103,094	152,962	416,620	713,981	712,463
Income tax	(92,906)	(117,553)	(306,733)	(458,726)	(357,315)
Profit after tax	10,188	35,409	109,887	255,255	355,148
Profit attributable to					
– Equity shareholders of the Company	15,896	30,536	106,995	245,573	350,280
– Non-controlling interests	(5,708)	4,873	2,892	9,682	4,868
Total comprehensive income for the year attributable to					
– Equity shareholders of the Company	9,156	18,730	44,068	324,244	299,050
– Non-controlling interests	(5,708)	4,873	2,892	9,682	4,868
Dividend	–	–	–	–	–
Earnings per share					
– Basic (RMB cents)	0.4	0.8	2.7	6.1	8.7
– Diluted (RMB cents)	0.4	0.8	2.7	6.1	8.7

The auditors of the Company for the three years ended 31 December 2016, 2017 and 2018 were KPMG. There were no qualifications (modified or adverse opinion, or emphasis of any material uncertainty related to going concern) in the auditor's report on the consolidated financial statements of the Company for each of the years ended 31 December 2016, 2017 and 2018.



**Material income/expenses which are exceptional**

Save as disclosed below, there were no items of any income or expense which were material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2016, 2017 and 2018:

- (a) accrued estimated compensations of RMB43 million in relation to a sub-lease arrangement in 2016;
- (b) net gain on disposal of subsidiaries of approximately RMB198 million in 2017;
- (c) net gain on disposal other non-current financial assets of approximately RMB123 million in 2017;
- (d) income from return of prepaid investment cost of approximately RMB179 million in 2017;
- (e) impairment loss of approximately RMB47 million recognised in 2018; and
- (f) impairment loss of approximately RMB20 million on the interest in a joint venture of the Group recognised in 2018.

**2. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 (the “**2019 Interim Financial Statements**”) and the notes thereto are set out from page 43 to page 100 of the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”), which was published on the websites of the Company ([www.hydo.com.cn](http://www.hydo.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 6 September 2019, is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0906/ltn20190906019.pdf>

The 2019 Interim Financial Statements (but not any other part of the 2019 Interim Report in which it appears) are incorporated by reference into this Composite Document and form part of this Composite Document.

**3. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016, 2017 and 2018**

The Company is required to set out or refer to in this Composite Document the consolidated statement of profit or loss, the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2016 (the “**2016 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the

year ended 31 December 2017 (the “**2017 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2016 Financial Statements are set out from page 128 to page 267 in the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”), which was published on the websites of the Company ([www.hydo.com.cn](http://www.hydo.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 7 April 2017, is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0407/ltn20170407055.pdf>

The 2017 Financial Statements are set out from page 137 to page 295 in the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”), which was published on the websites of the Company ([www.hydo.com.cn](http://www.hydo.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 6 April 2018, is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0406/ltn20180406003.pdf>

The 2018 Financial Statements are set out from page 150 to page 351 in the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on the websites of the Company ([www.hydo.com.cn](http://www.hydo.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 15 April 2019, is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0415/ltn20190415005.pdf>

The 2016 Financial Statements, the 2017 Financial Statements and the 2018 Financial Statements (but not any other part of the 2016 Annual Report, the 2017 Annual Report and the 2018 Annual Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

#### 4. INDEBTEDNESS OF THE GROUP

The table below sets out the indebtedness of our Group as at 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement:

Indebtedness	As at 30 June 2019 RMB'000
Non-current:	
Bank loans and other borrowings	697,711
Senior notes	1,064,442
Current:	
Bank loans and other borrowings	618,680
Senior notes	412,360
Corporate bonds	261,671
	3,054,864

**Contingent liabilities**

As at 30 June 2019, our Group has provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. As of 30 June 2019, our maximum amount of guarantees provided to banks for mortgage facilities granted to the purchasers amounted to RMB2,428 million.

Save as disclosed above, and apart from intra-group liabilities, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance lease or hire purchases and finance lease commitments, liabilities under acceptances or acceptance credits, or any other guarantees or other material contingent liabilities as at 30 June 2019.

**5. MATERIAL CHANGE**

The Directors confirm that, save and except as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

- (a) as set out in the announcement of the Company dated 20 March 2019, the Company had undergone the following changes in the members of the Board which came into effect on 20 March 2019:
  - (i) the retirement of Mr. Wang Lianzhou as an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Strategic Review Committee of the Company; and
  - (ii) the appointment of Mr. Yue Zheng as an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Strategic Review Committee of the Company;
- (b) as set out in the announcement of the Company dated 30 August 2019, the Group fully redeemed all outstanding 11% senior notes issued to China Orient Alternative Investment Fund on 30 August 2016 with an aggregate principal amount of US\$60,000,000 plus accrued and unpaid interest at maturity;
- (c) as set out in the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”), on 9 April 2019, the Group disposed 100% equity interests in two of its subsidiaries, namely Beijing Hydoo Yingchuang Corporate

Management Company Limited and Lanzhou Hydoo Yingchuang Estate Company Limited, to the Company's associate, Beijing Sunac Hydoo Corporate Management Company Limited for a consideration of RMB255,390,000 (the **"2019 Disposal"**). The 2019 Disposal created a consideration receivable of disposed entities of approximately RMB52.7 million and an amount due from the disposed entities of approximately RMB32.2 million, both of which were accounted for as other financial assets. Mainly as a result of such amount due from an associate, the other financial assets of the Group increased from approximately RMB121.0 million as at 31 December 2018 to approximately RMB260.1 million as at 30 June 2019, representing an increase of approximately 115.0%;

- (d) as disclosed in the 2019 Interim Report, the Company recorded a net profit attributable to the Shareholders of approximately RMB15.9 million for the six months ended 30 June (**"HY"**) 2019, which represented a decrease of approximately 47.9% compared to the same period in 2018. Such decrease in net profit attributable to the Shareholders was mainly attributable to: (i) an approximately 29.4% decrease in gross profit of the Group from approximately RMB363.8 million in HY2018 to approximately RMB256.8 million in HY2019 which was caused by the fall in revenue from the sale of properties which was in turn due to the decrease in gross floor area of properties sold and decrease in the average sales price of properties sold during HY2019; and (ii) the significant decrease in fair value gain on investment properties from approximately RMB145.3 million in HY2018 to approximately RMB30.7 million in HY2019, representing a significant decrease of approximately 78.9%, though the decrease in net profit during HY2019 was partially offset by the increase in other income from approximately RMB77.6 million in HY2018 to approximately RMB241.5 million in HY2019, representing a significant increase of approximately 211.2%, which was mainly attributable to the net gain on the 2019 Disposal of approximately RMB220.7 million;
- (e) as disclosed in the 2019 Interim Report, the Group recorded an increase in contract liabilities from approximately RMB1,843.5 million as at 31 December 2018 to approximately RMB2,537.6 million as at 30 June 2019, representing an increase of approximately 37.7% which was mainly attributable to the increase in contracted sales and contracted sales area during HY2019. During the period, the Group recorded contracted sales of RMB1,471.6 million and contracted sales area of 261,619 sq.m., representing increases of approximately 135.7% and 138.3% respectively, as compared to HY2018, the growth of which was primarily driven by the pre-sale of residence for projects in Ganzhou, Jining and Wuzhou;
- (f) as disclosed in the 2019 Interim Report, the Group has advanced its strategic deployment of technological innovation and production-city integration. In July 2019, the Group entered into a strategic cooperation agreement with Shenzhen Science & Industry Park Group Co., Ltd. (**"SZ Science & Technology Park Group"**) which has a high-tech industrial park and one of the best operation teams in the PRC. SZ Science & Technology Park Group has rich experience and resources in operating industrial

parks, soliciting leading technology enterprises, commercialising research and technological achievements, and attracting and training science and technology personnel. Both parties intend, through this strategic cooperation, to further enhance their respective integrated development and operation capabilities of their industrial parks, highlight the characteristics of new and contemporary service industry, accelerate the construction of innovative and technology-driven industrial parks, aiming to make a breakthrough in establishing mid to high end and highly competitive industry sector composition and industrial clusters; and

- (g) the 2019 Interim Report further disclosed that based on the existing direction of development for trading logistics and real estate business, the Group has been actively seeking to upgrade and enrich its business segments, in particular, the tourism, health service and real estate industries. It was mentioned that the Group has ambitious vision on tourism, health service and real estate industry supported and promoted by national policies. The Group further recognised that the Offeror will be a new partner introduced to realise and advance the abovementioned intentions upon completion of the Sale and Purchase Agreement. The Offeror has sufficiently competitive edges in the development and operation of cultural tourism and health service industry and rich management experience and outstanding capacity in creating customer stickiness, which are in line with the Group's strategy for upgrading and enriching its business segments. The Group's directions of future development will focus on investment in and development of cultural tourism and health service projects.

**1. RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised</i>		<i>HK\$</i>
<u>8,000,000,000</u>	Shares of HK\$0.01 each	<u>80,000,000</u>
<u>4,014,844,000</u>	Shares of HK\$0.01 each	<u>40,148,000</u>

As at the Latest Practicable Date, there were no outstanding options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer any rights to the holders thereof to subscribe for, convert or exchange into Shares).

All of the Shares currently in issue are fully paid up and rank pari passu in all respects with each other, including all rights in respect of capital, dividends and voting.

The number of Shares in issue as at 31 December 2018, being the date to which the latest audited consolidated financial statements of the Company were made up to, was 4,014,844,000.

Since 31 December 2018 and up to the Latest Practicable Date:

- (a) the Company has not issued any Shares, options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer any rights to the holders thereof to subscribe for, convert or exchange into Shares) and has not entered into any agreement for the issue of any of such securities; and
- (b) no Shares have been issued or repurchased by the Company or any of its subsidiaries.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and their respective associates nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

#### (b) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of Shareholders	Capacity	Number of Shares held/interested (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
The Offeror	Beneficial owner	2,070,000,000 (L)	51.56%
RXHD Holdings	Interest in a controlled corporation (Note 3)	2,070,000,000 (L)	51.56%
Junsheng Holdings	Interest in a controlled corporation (Note 3)	2,070,000,000 (L)	51.56%
Mr. S Zeng	Interest in a controlled corporation (Note 3)	2,070,000,000 (L)	51.56%

Name of Shareholders	Capacity	Number of Shares held/interested (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
Hakka Park	Interest in a controlled corporation (Note 4)	2,070,000,000 (L)	51.56%
Mr. HW Cai	Interest in a controlled corporation (Note 4)	2,070,000,000 (L)	51.56%
Ms. Wu Lijun (吳莉君)	Interest of spouse (Note 5)	2,070,000,000 (L)	51.56%
Ms. Huang Jinzhen (黃錦珍)	Interest of spouse (Note 6)	2,070,000,000 (L)	51.56%
Top Amuse Holdings Limited	Beneficial owner (Note 7)	583,064,000 (L)	14.52%
Hony Capital Fund 2008, L.P.	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%
Hony Capital Fund 2008 GP, L.P.	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%
Hony Capital Fund 2008 GP Limited	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%
Hony Group Management Limited	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%
Hony Capital 2008 Partners, L.P.	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%
Hony Managing Partners Limited	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%
Exponential Fortune Group Limited	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%
Mr. Zhao John Huan	Interest in controlled corporation (Note 7)	583,064,000 (L)	14.52%



Name of Shareholders	Capacity	Number of Shares held/interested (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
Eminent Ascend Limited	Beneficial owner (Note 8)	300,000,000 (L)	7.47%
Mr. Wong Sheung Tak	Interest in controlled corporation (Note 8)	300,000,000 (L)	7.47%

*Notes:*

1. The letter “L” denotes the individual’s or corporation’s long position in Shares.
2. The percentages have been calculated based on 4,014,844,000 Shares in issue as at the Latest Practicable Date.
3. RXHD Holdings is owned as to 70% by Junsheng Holdings, which is in turn wholly and beneficially owned by Mr. S Zeng. By virtue of Part XV of the SFO, Mr. S Zeng is deemed to be interested in all the Shares held by RXHD Holdings.
4. Hakka Park is owned as to 60% by Mr. HW Cai. By virtue of Part XV of the SFO, Mr. HW Cai is deemed to be interested in all the Shares held by Hakka Park.
5. Ms. Wu Lijun (吳莉君) is the spouse of Mr. S Zeng, and is deemed to be interested in the Shares which Mr. S Zeng are interested in under Part XV of the SFO.
6. Ms. Huang Jinzhen (黃錦珍) is the spouse of Mr. HW Cai, and is deemed to be interested in the Shares which Mr. HW Cai are interested in under Part XV of the SFO.
7. Top Amuse Holdings Limited (“**Top Amuse**”) is wholly-owned by Hony Capital Fund 2008, L.P., hence Hony Capital Fund 2008, L.P. is deemed to be interested in the 583,064,000 shares held by Top Amuse. The general partner of Hony Capital Fund 2008, L.P. is Hony Capital Fund 2008 GP, L.P., hence Hony Capital Fund 2008 GP, L.P. is deemed to be interested in the 583,064,000 shares held by Top Amuse. The general partner of Hony Capital Fund 2008 GP, L.P. is Hony Capital Fund 2008 GP Limited, hence Hony Capital Fund 2008 GP Limited is deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Group Management Limited, hence Hony Group Management Limited is deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Group Management Limited is also the general partner of Hony Capital 2008 Partners, L.P. Hony Capital 2008 Partners, L.P. controls 99.44% of the interest of Hony Capital 2008 GP, L.P., hence Hony Capital 2008 Partners, L.P. is deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Managing Partners Limited controls 80% of the shares of Hony Group Management Limited, hence Hony Managing Partners Limited is deemed to be interested in the 583,064,000 shares held by Top Amuse. Hony Managing Partners Limited is wholly-owned by Exponential Fortune Group Limited, hence Exponential Fortune Group Limited is deemed to be interested in the 583,064,000 shares held by Top Amuse. Mr. Zhao John Huan controls 49% of the shares of Exponential Fortune Group Limited, hence Mr. Zhao John Huan is deemed to be interested in the 583,064,000 shares held by Top Amuse.
8. Eminent Ascend Limited is wholly owned by Mr. Wong Sheung Tak (王雙德).

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company under section 336 of the SFO.

#### 4. DEALINGS IN SECURITIES OF THE COMPANY AND THE OFFEROR

During the Relevant Period and up to the Latest Practicable Date,

- (a) save for the Sale Shares under the Sale and Purchase Agreement, none of the Company or the Directors had dealt for value in any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares;
- (b) save that Mr. Wang Jianli (王健利) (the Chairman and an executive Director), Mr. Wang Dewen (王德文) (an executive Director) and Mr. Huang Dehong (黄德宏) (an executive Director) were interested in the Sale Shares held by the Vendor immediately before the Completion, no other Director has owned or controlled any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares;
- (c) none of the Company or the Directors had owned or controlled, or had dealt for value in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror;
- (d) none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) had dealt in any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;
- (e) save for the Sale and Purchase Agreement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any shares or any convertible securities, warrants, options or derivative of the Company;

- (f) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (g) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;
- (h) other than the Irrevocable Undertaking, no person had irrevocably committed himself/herself/itself to accept or reject the Share Offer; and
- (i) there is no understanding, arrangement or agreement or special deal between any Shareholders on the one hand, and the Offeror and any parties acting in concert with it, or the Company, its subsidiaries or associated companies on the other hand.

## **5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS**

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) had been given or would be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer;
- (b) save for the Sale and Purchase Agreement, there was no agreement or arrangement between any of the Directors and any other person which was conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer; and
- (c) save for the Sale and Purchase Agreement, no material contracts had been entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest.

## **6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any members of the Group.

## 7. DIRECTORS' SERVICE CONTRACTS

Each of the following Directors has entered into a service agreement with the Company within six months before the commencement of the Offer Period and for a fixed term with more than 12 months to run irrespective of the notice period as at the Latest Practicable Date, subject to the termination provision therein and the rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company:

Name of director	Term of contract	Director's fee
Mr. Wang Jianli	Fixed term of three years from 1 April 2019 to 31 March 2022	RMB100,000 per annum
Mr. Huang Dehong	Fixed term of three years from 1 April 2019 to 31 March 2022	RMB100,000 per annum
Mr. Lam Chi Yuen Nelson	Fixed term of three years from 20 March 2019 to 19 March 2022	HKD300,000 per annum
Mr. Yue Zheng	Fixed term of three years from 20 March 2019 to 19 March 2022	HKD300,000 per annum

There is no variable payment with respect to the director's fee of Mr. Wang Jianli, Mr. Huang Dehong, Mr. Lam Chi Yuen Nelson and Mr. Yue Zheng in their respective fixed term director's service contracts.

## 8. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by any member of the Group after the date falling two years immediately preceding the commencement date of the Offer Period, and up to the Latest Practicable Date:

- (a) the Company, certain subsidiaries of the Company as subsidiary guarantors and Citicorp International Limited as trustee entered into an indenture dated 9 May 2018 in relation to the issue by the Company of 12.00% senior notes due May 2020 with an aggregate principal amount of US\$130,000,000 (the "**2020 Senior Notes**"), which are listed and traded on The Singapore Exchange Securities Trading Limited; and

- (b) the purchase agreement dated 10 August 2018, pursuant to which the Company issued additional 2020 Senior Notes with an aggregate principal amount of US\$27,000,000, which was consolidated and formed a single class of notes with the 2020 Senior Notes such that the aggregate principal amount of the 2020 Senior Notes was increased to US\$157,000,000.

## **9. EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert whose letter or opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Opus Capital	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, advice or report as the case may be and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## **10. GENERAL**

- (a) The registered office of the Company is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Suite 2305, 23/F Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary is Mr. Chan Sze Hon, who is a member of The Hong Kong Institute of Certified Public Accountants.
- (e) The registered office of Opus Capital is at 18/F, Fung House, 19–20 Connaught Road Central, Central, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Suite 2305, 23/F, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong; (ii) on the website of the Company ([www.hydoo.com.cn](http://www.hydoo.com.cn)); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;
- (d) the letter from the Board, the text of which is set out on pages 19 to 24 of this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this Composite Document;
- (f) the letter from Zhongtai Securities, the text of which is set out on pages 7 to 18 of this Composite Document;
- (g) the letter from Opus Capital, the text of which is set out on pages 27 to 51 of this Composite Document;
- (h) the service contracts referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix;
- (i) the Irrevocable Undertaking;
- (j) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (k) the written consent referred to under the paragraph headed “Expert’s Qualification and Consent” in this Appendix; and
- (l) this Composite Document and the accompanying Form of Acceptance.

**1. RESPONSIBILITY STATEMENT**

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than any information relating to the Vendor, parties acting in concert with it, the Vendor Guarantors and the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors, the Independent Board Committee and the Independent Financial Adviser) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. DEALINGS AND INTERESTS IN SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror, its directors and parties acting in concert with it were as follows:

<b>Name of Offeror/its directors/parties acting in concert with it</b>	<b>Capacity</b>	<b>Number of Shares held/interested (Note 1)</b>	<b>Approximate % of interest (Note 6)</b>
The Offeror	Beneficial owner	2,070,000,000 (L)	51.56
RXHD Holdings	Interest in a controlled corporation (Note 2)	2,070,000,000 (L)	51.56
Junsheng Holdings	Interest in a controlled corporation (Note 2)	2,070,000,000 (L)	51.56
Mr. S Zeng	Interest in a controlled corporation (Note 2)	2,070,000,000 (L)	51.56
Hakka Park	Interest in a controlled corporation (Note 3)	2,070,000,000 (L)	51.56
Mr. HW Cai	Interest in a controlled corporation (Note 3)	2,070,000,000 (L)	51.56
Ms. Wu Lijun (吳莉君)	Interest of spouse (Note 4)	2,070,000,000 (L)	51.56
Ms. Huang Jinzhen (黃錦珍)	Interest of spouse (Note 5)	2,070,000,000 (L)	51.56

*Notes:*

- (1) The letter “L” denotes long position in the Shares.
- (2) RXHD Holdings is owned as to 70% by Junsheng Holdings, which is in turn wholly and beneficially owned by Mr. S Zeng. By virtue of Part XV of the SFO, Mr. S Zeng is deemed to be interested in all the Shares held by RXHD Holdings.
- (3) Hakka Park is owned as to 60% by Mr. HW Cai. By virtue of Part XV of the SFO, Mr. HW Cai is deemed to be interested in all the Shares held by Hakka Park.
- (4) Ms. Wu Lijun (吳莉君) is the spouse of Mr. S Zeng, and is deemed to be interested in the Shares which Mr. S Zeng are interested in under Part XV of the SFO.
- (5) Ms. Huang Jinzhen (黃錦珍) is the spouse of Mr. HW Cai, and is deemed to be interested in the Shares which Mr. HW Cai are interested in under Part XV of the SFO.
- (6) Calculated based on the number of issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its directors and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

### **3. OTHER ARRANGEMENTS IN RELATION TO THE SHARE OFFER**

The Offeror confirms that, as at the Latest Practicable Date:

- (a) save for the Offeror’s acquisition of the Sale Shares from the Vendor at HK\$0.305 per Share pursuant to the Sale and Purchase Agreement, none of the Offeror, nor any person acting in concert with it (including but not limited to all its direct and indirect shareholders, (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies) had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (b) save for the Sale and Purchase Agreement, the Irrevocable Undertaking and the Convertible Bonds, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Share Offer;
- (c) there was no agreement or arrangement to which the Offeror or any person acting in concert with it (including but not limited to all its direct and indirect shareholders and (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies), was a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Share Offer;



- (d) none of the Offeror nor any person acting in concert with it (including but not limited to all its direct and indirect shareholders and (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (e) other than the Irrevocable Undertaking, none of the Offeror and any person acting in concert with it (including but not limited to all its direct and indirect shareholders and (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies) had received any irrevocable commitment to accept or reject the Share Offer;
- (f) there was no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any person acting in concert with it (including but not limited to all its direct and indirect shareholders and (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies);
- (g) other than the consideration of HK\$631,350,000 paid to the Vendor for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any parties acting in concert with it (including but not limited to all its direct and indirect shareholders and (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies) to the Vendor or any party acting in concert with it in connection with the Sale and Purchase Agreement;
- (h) there was no understanding, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any party acting in concert with it (including but not limited to all its direct and indirect shareholders and (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies), and the Vendor and any party acting in concert with it;
- (i) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it (including but not limited to all its direct and indirect shareholders and (where such shareholders are corporations) directors of such shareholders, the Bondholder, the Investment Manager and the Onshore Manager and their respective immediate parent companies) or (ii)(b) the Company, its subsidiaries or associated companies (as defined in the Takeovers Code);

- (j) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Share Offer would be transferred, charged or pledged to any other persons; and
- (k) save for the Sale and Purchase Agreement and the Irrevocable Undertaking, there was no agreement, arrangement, or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Share Offer.

#### 4. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
28 February 2019	0.420
29 March 2019	0.390
30 April 2019	0.380
31 May 2019	0.340
28 June 2019	0.345
26 July 2019 (the Last Trading Day)	0.435
30 August 2019	0.465
17 September 2019 (the Latest Practicable Date)	0.370

#### 5. EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Zhongtai Securities	a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
Zhongtai Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn their written consent to the issue of this Composite Document with the inclusion of its opinions or advice and the references to its name included herein in the form and context in which it appears.

**6. MISCELLANEOUS**

- (a) the address of Mr. S Zeng is at Room 916, 9/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;
- (b) the address of Mr. HW Cai is at Room 916, 9/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;
- (c) the address of Ms. Luo is at Room 916, 9/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;
- (d) the registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror is Room 916, 9/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;
- (e) the registered office of Zhongtai Capital is 19th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong;
- (f) the registered office of Zhongtai Securities is 19th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong; and
- (g) the English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

In addition to the documents set forth in the paragraph “Documents available for inspection” of Appendix III to this Composite Document, copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at Suite 2305, 23/F, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong; (ii) on the website of the SFC at **www.sfc.hk**; and (iii) on the Company’s website at **www.hydoo.com.cn** during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Zhongtai Securities, the text of which is set out on pages 7 to 18 of this Composite Document; and
- (c) the letters of consent referred to under the paragraph headed “Experts and consents” in this appendix.