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## **HYDOO INTERNATIONAL HOLDING LIMITED**

**毅德國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1396)**

### **PROPOSED ISSUE OF THE NOTES**

#### **SUBSCRIPTION OF THE NOTES**

On 25 August 2016 (after trading hours), the Company and the Subsidiary Guarantors entered into a Subscription Agreement with the Subscriber, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for US\$60,000,000, 11% senior notes due 2019. The Notes will be secured by the Collateral, the Subsidiary Guarantees and the Personal Guarantee.

**Completion is subject to the terms and conditions of the Subscription Agreement. Accordingly, the subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

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## PRINCIPAL TERMS OF THE NOTES

Principal amount:	US\$60,000,000
Denomination:	In a minimum denomination of US\$200,000 or higher integral multiples of US\$1,000 in nominal amount.
Interest:	The Notes will bear interest from and including 30 August 2016 at the rate of 11% per annum, payable semi-annually in arrears. Interest will be paid on the business day on 28 February and 30 August of each year, commencing on 28 February 2017.
Maturity date:	The Notes will mature on 30 August 2019, unless earlier redeemed pursuant to the terms thereof.
Ranking of the Notes:	The Notes are general obligations of the Company and will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law); (3) guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations; (4) effectively subordinated to the secured obligations (if any, other than permitted <i>pari passu</i> secured indebtedness) of the Company and the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to the extent of the value of the assets serving as security therefor (other than the Collateral, as defined below); and (5) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Security to be guaranteed:	The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the capital stock of the initial Subsidiary Guarantors owned by the Company or the initial Subsidiary Guarantor Pledgors (the “ <b>Collateral</b> ”) (subject to permitted liens and the Intercreditor Agreement) on the date of the issuance of the Notes in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the Convertible Notes, the 2015 Notes, the Notes and the Subsidiary Guarantees and the permitted <i>pari passu</i> secured indebtedness.

First Supplement to the Intercreditor Agreement:

On the date of the issuance of the Notes, the Company, the initial Subsidiary Guarantors, the Security Agent and the Subscriber will enter into the First Supplement to the Intercreditor Agreement in which the Subscriber agreed to accede to the terms of the Intercreditor Agreement. The First Supplement to the Intercreditor Agreement will provide that (1) the Notes, the 2015 Notes, the Convertible Notes and the permitted pari passu secured indebtedness shall share equal priority and pro rata entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the indebtedness secured thereby will be enforced.

Events of Default:

The events of default under the Notes include:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (c) default in the performance or breach of the provisions of the covenants relating to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase in the manner prescribed by the terms of the Note Instrument or the failure by the Company to create, or cause its restricted subsidiaries to create a lien on the Collateral (subject to any permitted liens and the Intercreditor Agreement, if any) in accordance with the covenant relating to security in the Note Instrument;
- (d) the Company or any restricted subsidiary defaults in the performance of or breaches any other covenant or agreement in the Note Instrument or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the holders of 25% or more in aggregate principal amount of the Notes;

- (e) there occurs with respect to any indebtedness of the Company or any restricted subsidiary having an outstanding principal amount of US\$7.5 million (or the dollar equivalent thereof) or more in the aggregate for all such indebtedness of all such persons, whether such indebtedness now exists or shall hereafter be created, (A) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its stated maturity and/or (B) the failure to make a principal payment when due;
- (f) one or more final judgments or orders for the payment of money are rendered against the Company or any restricted subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed US\$7.5 million (or the dollar equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) an involuntary case or other proceeding is commenced against the Company or any restricted subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any restricted subsidiary or for any substantial part of the property and assets of the Company or any restricted subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any restricted subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company or any restricted subsidiary (i) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any

such law, (ii) other than in connection with a solvent liquidation or reorganization, consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any restricted subsidiary or for all or substantially all of the property and assets of the Company or any restricted subsidiary or (iii) effects any general assignment for the benefit of creditors;

- (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Note Instrument, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security documents or the Note Instrument, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any security document or, other than in accordance with the Note Instrument and the security documents, any security document ceases to be or is not in full force and effect or the Security Agent ceases to have a first priority security interest in the Collateral (subject to any permitted liens and the Intercreditor Agreement, if any).

If an event of default (other than an event of default specified in clause (g) or (h) above) occurs and is continuing under the Note Instrument, the holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company, may declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an event of default specified in clause (g) or (h) above occurs with respect to the Company or any

restricted subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of any holder of the Notes.

Covenants : Subject to certain conditions and exceptions, the Notes and the Note Instrument will limit the Company's ability and the ability of its restricted subsidiaries to, among other things:

- (a) incur additional indebtedness and issue disqualified or preferred stock;
- (b) declare dividends on its capital stock or purchase or redeem capital stock;
- (c) make investments or other specified restricted payments;
- (d) create liens;
- (e) create encumbrance or restriction on the restricted subsidiaries' ability to pay dividends, pay indebtedness, transfer assets or make intercompany loans;
- (f) issue or sell capital stock of restricted subsidiaries;
- (g) guarantee additional indebtedness;
- (h) enter into sale and leaseback transactions;
- (i) sell assets;
- (j) enter into transactions with shareholders and their affiliates;
- (k) engage in any business other than a permitted business; and
- (l) effect a consolidation or merger.

Optional  
Redemption:

The Notes may be redeemed in the following circumstances:

- (1) At any time and from time to time prior to 30 August 2019, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.
- (2) At any time and from time to time prior to 30 August 2019, the Company may redeem up to 35% of the principal amount of the Notes with the net cash proceeds of one or more sales of its common stock in an equity offering at a redemption price of 111% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Listing:

No application will be made for the listing of the Notes.

Mr. Wong agrees with the Subscriber to provide a Personal Guarantee in favour of the Subscriber for the performance of the obligations by the Company and the Subsidiary Guarantors under the Note Instrument. Mr. Wong is a controlling shareholder of the Company and therefore, a connected person of the Company. The Personal Guarantee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as the Personal Guarantee is not secured by any assets of the Group and is conducted on normal commercial terms or better, the Personal Guarantee is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

## **INFORMATION OF THE COMPANY AND PROPOSED USE OF NET PROCEEDS OF THE NOTES**

The Group is principally engaged in the development and operation of large-scale trade center projects in third- and fourth-tier and selected second-tier cities in the PRC.

The Company intends to use the proceeds of the Notes primarily for the refinancing of indebtedness of the Company and the remainder for its working capital purposes.

## **GENERAL**

**Completion is subject to the terms and conditions of the Subscription Agreement. Accordingly, the subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, excluding Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement
“Company”	Hydoo International Holding Limited (毅德國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange.
“Completion”	the completion for the subscription of the Notes by the Subscriber in the manner provided in the Subscription Agreement
“connected person(s)”	has the meaning as defined under the Listing Rules
“Convertible Notes”	the 7.00% convertible notes in principal amount of US\$120,000,000 due 2020 that the Company issued to Pingan Real Estate Capital Limited (formerly known as Pingan Real Estate (Hong Kong) Company Limited) in January 2015
“Director(s)”	director(s) of the Company
“Group”, “we”, “our” and “us”	the Company and its subsidiaries



“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Intercreditor Agreement”	the intercreditor agreement dated 15 December 2015 entered into between the Company, the initial Subsidiary Guarantor Pledgors, Citicorp International Limited, the trustee of the 2015 Notes and the trustee of the Convertible Notes
“JV Subsidiary Guarantee”	a limited-recourse guarantee provided by a subsidiary of the Company in certain circumstances
“JV Subsidiary Guarantor”	a subsidiary of the Company that in the future provides JV Subsidiary Guarantees
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wong”	Wong Choi Hing was the former chairman of the Company and the executive Director and he was removed from all his positions at the Company in August 2014. Wong Choi Hing has not involved in any business operations of the Company since August 2014. As at the date of this announcement, Wong Choi Hing owns approximately 52.7% in Most Trend Holdings Limited, which directly owns approximately 51.6% in the Company
“Non-Guarantor Subsidiaries”	certain subsidiaries of the Company which do not provide Subsidiary Guarantees or JV Subsidiary Guarantees for the Notes
“Notes”	the USD denominated senior notes to be issued by the Company subject to the terms and conditions of the Subscription Agreement
“Note Instrument”	the note instrument to be issued by the Company and guaranteed by the Subsidiary Guarantor Pledgor in respect of the Notes
“Personal Guarantee”	the personal guarantee provided by Mr. Wong, a controlling shareholder of the Company, in respect of the Notes

“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	China Orient Alternative Investment Fund, an exempted company incorporated under the laws of Cayman Islands with limited liability
“Subscription Agreement”	the subscription agreement dated 25 August 2016 entered into between the Company, the Subsidiary Guarantors and the Subscriber in connection with the subscription of the Notes
“Subsidiary Guarantees”	the guarantees provided by the Subsidiary Guarantors in respect of the Notes
“Security Agent”	Citicorp International Limited
“Subsidiary Guarantors”	certain existing subsidiaries of the Company that provide guarantees to secure the Company’s obligations under the Notes
“Subsidiary Guarantor Pledgor”	any Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Note Instrument and of such Subsidiary Guarantor under its Subsidiary Guarantee
“the First Supplement to Intercreditor Agreement”	the first supplement to Intercreditor Agreement proposed to be entered into between the Company, the initial Subsidiary Guarantor Pledgors, the Security Agent and the Subscriber on the issue date of the Notes
“United States”	the United States of America
“USD”	United States dollar(s)
“%”	per cent.

“2015 Notes”

the 13.75% notes in principal amount of US\$100,000,000 that the Company issued in December 2015 which are listed and traded on The Singapore Exchange Securities Trading Limited

For and on behalf of the Board  
**Hydoo International Holding Limited**  
**Wang Jianli**  
*Chairman and Executive Director*

Hong Kong, 25 August 2016

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