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GUDOU HOLDINGS LIMITED

古兜控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 8308)

DISCLOSEABLE TRANSACTION CAPITAL INCREASE AGREEMENT

CAPITAL INCREASE AGREEMENT

The Board announces that on 30 May 2019 (after trading hours), Guangdong Gudou, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with the Target Company and its Existing Equity Holders to increase the registered capital and capital reserves of the Target Company by injecting, in installments, an aggregate amount of RMB65,170,000 (equivalent to approximately HK\$74,032,000) in cash in the Target Company.

Upon Completion, the equity interests in the Target Company will be owned as to 51% by Guangdong Gudou and as to 49% by the Existing Equity Holders. Subject to fulfillment or waiver (as the case may be) of all of the Conditions Precedent, immediately following Completion, the Target Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the transactions contemplated under the Capital Increase Agreement exceeds 5% but all are less than 25%, the Capital Increase constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

The Board announces that on 30 May 2019 (after trading hours), Guangdong Gudou, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with the Target Company and its Existing Equity Holders to increase the registered capital and capital reserves of the Target Company by injecting, in installments, an aggregate amount of RMB65,170,000 (equivalent to approximately HK\$74,032,000) in cash in the Target Company.

The principal terms and conditions of the Capital Increase Agreement are as follows:

THE CAPITAL INCREASE AGREEMENT

Date : 30 May 2019 (after trading hours)

Parties : (a) Guangdong Gudou, an indirect wholly-owned subsidiary of the Company;
(b) the Target Company; and
(c) the Existing Equity Holders

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Company and the Existing Equity Holders are third parties independent of the Company and its connected persons.

Subject matter : Guangdong Gudou entered into the Capital Increase Agreement with the Target Company and the Existing Equity Holders to increase the registered capital and capital reserves of the Target Company. The Aggregate Capital Contribution injected in the Target Company shall be used for the development and construction of the projects undertaken by the Target Company and repayment of loans from the Existing Equity Holders.

Prior to the Capital Increase, the Existing Equity Holders hold 100% of the equity interest of the Target Company. The Existing Equity Holders has agreed to waive their pre-emptive rights in respect of the Capital Increase.

Completion : Completion shall take place upon injection of the whole amount of the Aggregate Capital Contribution by Guangdong Gudou. Upon Completion, the equity interests in the Target Company will be owned as to 51% by Guangdong Gudou and as to 49% by the Existing Equity Holders. Subject to fulfillment or waiver (as the case may be) of all of the Conditions Precedent, immediately following Completion, the Target Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

Consideration : Guangdong Gudou shall inject, in installments, an aggregate amount of RMB65,170,000 (equivalent to approximately HK\$74,032,000) in cash for the Capital Increase in the Target Company.

The First Installment of RMB1,144,898 (equivalent to approximately HK\$1,301,000) shall be injected within 5 business days following the date of the Capital Increase Agreement, which shall be applied to subscribe for the registered capital of the Target Company to be increased.

The second installment of RMB18,855,102 (equivalent to approximately HK\$21,419,000) shall be injected within 90 days following the date of the Capital Increase Agreement as a non-interest bearing loan to the Target Company which shall be applied to the capital reserves of the Target Company upon fulfilment of all of the Conditions Precedent by the Target Company and Existing Equity Holders before 30 November 2019.

The remaining RMB45,170,000 (equivalent to approximately HK\$51,312,000) shall then be injected in installments before 30 November 2019 as non-interest bearing loan(s) to the Target Company according to the development progress of the projects undertaken by the Target Company which shall be applied to the capital reserves of the Target Company upon fulfilment of all of the Conditions Precedent by the Target Company and Existing Equity Holders before 30 November 2019.

The Aggregate Capital Contribution was determined after arm's length negotiations between Guangdong Gudou and the Existing Equity Holders on normal commercial terms with reference to the net assets value of the Target Company and the fair value of the Land Parcels.

The Aggregate Capital Contribution payable by the Group will be financed by the internal resources and/or bank loan of the Group.

- Conditions Precedent : The application of the Aggregate Capital Contribution (excluding the First Installment) to the capital reserves of the Target Company is subject to the fulfillment of the following conditions:
- (a) the Target Company having obtained the relevant qualification certificate as a property developer before 30 November 2019;
 - (b) the land use tax, forfeit penalty and other expenses in relation to the Land Parcels incurred prior to 1 March 2019 having been borne by the Existing Equity Holders;
 - (c) the Target Company having completed the tax assessment report in relation to certain property development project and submitted the same to the relevant tax authority before 30 November 2019, and having completed the procedure for changing the registered address of its business registration within 30 days after settlement of the land appreciation tax in relation to such project;
 - (d) all parties to the Capital Increase Agreement having obtained or completed (as the case may be) all internal and external approvals (including but not limited to those from relevant government authorities and third parties including creditors), consent and filings in relation to the Capital Increase Agreement;
 - (e) the Target Company having obtained acknowledge of receipt from Guangdong Gudou of the original documents required for the Capital Increase including the relevant board resolutions, shareholders' resolutions, amended articles of association and register of members of the Target Company;
 - (f) the amended articles of association, register of members and application documents for the Registration of Change having been signed by all parties to the Capital Increase Agreement; and the Existing Equity Holders having signed written confirmation to waive their pre-emptive rights;
 - (g) there being no breach of any relevant laws or regulations by, or investigation or sanctions against, the Target Company and Existing Equity Holders;

- (h) there being no material adverse change to the asset structure and condition of the Target Company or event that may have material adverse effect on the financial condition, prospect, assets or duties of the Target Company or cause the Target Company to cease operations; there being no other material adverse change to the Target Company and Existing Equity Holders or event that may have material adverse effect on the Capital Increase; there being no encumbrances and third party rights over the assets and equities of the Target Company;
- (i) the representations and warranties made by the Target Company and Existing Equity Holders remaining true, accurate and complete in all material respects;
- (j) there being no restriction, prohibition, impediment or declaration of invalidity from any government authority in respect of the Capital Increase as at and up to the Completion; and
- (k) any other event happening before the Completion which Guangdong Gudou reasonably considers should be included as a Condition Precedent (except for material adverse effect and force majeure).

If the Conditions Precedent are not satisfied or waived (as the case may be) before the Long Stop Date, the Target Company shall compensate Guangdong Gudou at a rate of 0.05% of the Aggregate Capital Contribution per day for the duration of the delay and Guangdong Gudou shall have the right to take one or more of the following courses of action:

- (i) waive the unfulfilled Condition(s) Precedent;
- (ii) postpone the Long Stop Date; and/or
- (iii) terminate the Capital Increase Agreement with no liability for breach of contract.

If all of the Conditions Precedent are satisfied but Guangdong Gudou failed to inject the whole amount of the Aggregate Capital Contribution before the Long Stop Date, Guangdong Gudou shall compensate the Target Company at a rate of 0.05% of the Aggregate Capital Contribution per day for the duration of the delay.

- Appointment of directors : After signing of the Capital Increase Agreement, the board of the Target Company shall comprise five directors of which two shall be appointed by Guangdong Gudou. Following satisfaction of all of the Conditions Precedent, Guangdong Gudou shall have the right to appoint three of the five directors and the Existing Equity Holders shall have the right to appoint the other two directors.
- Transferability : Prior to the injection of the whole amount of the Aggregate Capital Contribution, Guangdong Gudou shall not transfer its 51% equity interests in the Target Company to any third party (including affiliated companies) or create any pledge, security or guarantee thereon.
- Following Completion, Guangdong Gudou may transfer all or part of its equity interests to its affiliated companies with the prior consent of the Existing Equity Holders who shall waive their pre-emptive rights.
- Following Completion, if any of the Existing Equity Holders or Guangdong Gudou intends to transfer all or part of its/his/her equity interests in the Target Company (the “**Selling Equity Holder**”) to any third party, the other equity holders shall have a right to sell all or part of its/his/her equity interests to the potential transferee in the same proportion on the same terms and conditions. If any of the other equity holders exercises this right, the Selling Equity Holder shall procure that the potential transferee purchases the equity interests intended to be transferred by such equity holder(s). Otherwise, the Selling Equity Holder shall not proceed with the transfer.
- Application for bank loan : After completion of the Registration of Change and filing procedures, Guangdong Gudou shall apply for a bank loan secured by the Land Parcels which shall wholly or partially be injected in the Target Company, and be responsible for the interest payment and repayment of the principal.
- Repurchase of equity interests : Should certain events occur as a result of the willful omission or material default on the part of the Existing Equity Holders and/or the Target Company which would have material adverse impact on the operations of the Target Company or Guangdong Gudou’s interests in the Target Company, and such events are not remedied to Guangdong Gudou’s satisfaction within 30 business days of written notice by Guangdong Gudou, Guangdong Gudou shall have the right to request the Existing Equity Holders to repurchase its equity interests in the Target Company.

INFORMATION OF THE TARGET COMPANY

Prior to the Capital Increase, the Target Company was established in the PRC with a registered capital of RMB1,100,000 and 100% of its equity interest was held by the Existing Equity Holders.

The Target Company is principally engaged in property development and operations and is currently holding three land parcels intended for commercial and residential uses in Yangjiang City, Guangdong Province, the PRC with an aggregate area of approximately 39,400 square meter.

Set out below is the financial information of the Target Company extracted from its unaudited management accounts for each of the two years ended 31 December 2017 and 2018:

	For the year ended 31 December 2017 <i>RMB</i>	For the year ended 31 December 2018 <i>RMB</i>
Loss before taxation	(54,712)	(1,021,872)
Loss after taxation	(54,712)	(1,021,872)
Net assets value (as at 31 December)	(1,764,122)	(2,785,994)

According to the valuation report dated 30 May 2019 issued by LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer, the fair value of the Land Parcels as at 31 December 2018 was assessed as RMB81,000,000 (equivalent to approximately HK\$92,015,000). After taking into account the fair value of the Land Parcels, the net assets value of the Target Company as at 31 December 2018 would be approximately RMB63,681,000 (equivalent to approximately HK\$72,340,000).

INFORMATION OF THE GROUP

The Group is principally engaged in the operation and management of Gudou Hot Spring Resort and the development and sale of tourism properties within Gudou Hot Spring Resort.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Directors believe that the Capital Increase provides the Group with a good investment opportunity in the Guangdong Province and it also provides an opportunity for the Group to increase the land bank for development. The Directors consider that the Capital Increase is in line with the business development strategy and planning of the Group.

In view of the above, the Directors are of the view that the terms of the Capital Increase Agreement are fair and reasonable and the transactions contemplated under Capital Increase Agreement are in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the transactions contemplated under the Capital Increase Agreement exceeds 5% but all are less than 25%, the Capital Increase constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Aggregate Capital Contribution”	the aggregate amount of RMB65,170,000 (equivalent to approximately HK\$74,032,000) to be injected by Guangdong Gudou to the capital of the Target Company pursuant to the terms of the Capital Increase Agreement
“Board”	the board of Directors
“Capital Increase”	the injection of an aggregate of RMB65,170,000 (equivalent to approximately HK\$74,032,000) to the capital of the Target Company by Guangdong Gudou pursuant to the terms of the Capital Increase Agreement where RMB1,144,898 (equivalent to approximately HK\$1,301,000) shall be applied to subscribe for the registered capital of the Target Company to be increased and the remaining RMB64,025,102 (equivalent to approximately HK\$72,731,000) shall be applied to the capital reserves of the Target Company upon fulfillment of the Conditions Precedent
“Capital Increase Agreement”	the capital increase agreement dated 30 May 2019 entered into among Guangdong Gudou, the Target Company and the Existing Equity Holders in relation to, among other things, the Capital Increase
“Company”	Gudou Holdings Limited (古兜控股有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands
“Completion”	completion of the Capital Increase Agreement

“Conditions Precedent”	the conditions precedent to the application of the Aggregate Capital Contribution (excluding the First Installment) to the capital reserves of the Target Company pursuant to the terms of the Capital Increase Agreement
“connected person(s)”	has the meaning as ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Equity Holders”	the individuals who in total hold 100% equity interest in the Target Company prior to the Capital Increase
“First Installment”	the first installment of RMB1,144,898 (equivalent to approximately HK\$1,301,000) of the Aggregate Capital Contribution to be injected by Guangdong Gudou in the Target Company within 5 business days following the date of the Capital Increase Agreement, which shall be applied to subscribe for the registered capital of the Target Company to be increased
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require
“Group”	the Company and its subsidiaries
“Guangdong Gudou”	Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Gudou Hot Spring Resort”	Gudou Hot Spring Resort (古兜溫泉綜合度假村), the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by the Group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Land Parcels”	three land parcels with an aggregate area of approximately 39,400 square meter held by the Target Company in Yangjiang City, Guangdong Province, the PRC intended for commercial and residential uses

“Long Stop Date”	30 November 2019 or such other later date as the parties to the Capital Increase Agreement may agree in writing
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registration of Change”	the Registration of Change* (工商變更登記) in respect of the Target Company to be registered with the relevant government authority in the PRC pursuant to the Capital Increase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	陽江市世嘉房地產開發有限公司, a company established in the PRC with limited liability and is beneficially owned by Existing Equity Holders prior to the Capital Increase
“%”	per cent.

The exchange rate of RMB1.00 to HK\$1.135982 is used in this announcement for illustration purpose only. No representation is made that any amount in RMB or HK\$ could be converted at such rate or any other rate.

The English translation of names or any descriptions in Chinese are marked with “*” and is for identification purpose.

By order of the Board
Gudou Holdings Limited
Hon Chi Ming
Chairman and Executive Director

Hong Kong, 31 May 2019

As at the date of this announcement, the executive Directors are Mr. Hon Chi Ming, Mr. Huang Zhanxiong, Ms. Zhen Yaman and Mr. Hon Ka Fung, the non-executive Director is Mr. Ruan Yongxi, and the independent non-executive Directors are Mr. Wu Sai Him, Mr. Chiu Chi Wing and Prof. Wang Dawu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

*This announcement will remain on the GEM website at **www.hkgem.com** on the “Latest Company Announcements” page for at least seven days from the date of its posting and will also be published on the Company’s website at **www.gudouholdings.com**.*