



July 24, 2014 Company Report Under Review

Share price (HK\$) 1.58

Previous Rating & TP HK\$4.30; BUY

Previous Report Date Mar 31, 2014

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Hydoo (1396 HK) Confirmed Chairman is currently assisting authorities in providing information

- Relevant authorities in PRC have verbally confirmed that Hydoo's chairman, Mr. Wong Choi Hing, is currently assisting in providing certain information.
- The authorities have not specified whether the information provided by the Chairman is related to the business operations of the Group.
- Our rating for Hydoo is placed "under review" due to significant uncertainty

Authorities confirmed that Hydoo's Chairman is currently assisting authorities to provide information. Based on Hydoo's latest announcement, relevant authorities in PRC confirmed verbally that the Group's Chairman, Mr. Wong Choi Hing, is currently assisting in providing "certain information". The authorities have not specified the nature of the information being provided by the chairman, or whether this information is related to the business operation of the Group.

Switch Hydoo's rating to "under review" on significant uncertainty. On July 14, Hydoo announced that its chairman had been unreachable for over 2 weeks since early July. The Group claimed that its business operation was unaffected. However, we find the lack of clarity regarding the nature of this information provided made it extremely difficult to assess the potential operational and legal risks entailed. Given such significant uncertainty, we believe that we are unable to form a reasonable basis for our investment opinion. Our last rating was BUY with TP at HK\$4.30. Our previous rating, target price and financial estimates should not be relied upon.

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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