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APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
APPLIED ENTERPRISES LIMITED AND BEACHSIDE INVESTMENTS
LIMITED AND ASSIGNMENT OF LOANS**

THE DISPOSAL

The Board is pleased to announce that on 9 November 2015 (after trading hours), the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to procure the sale to the Purchaser, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Sale Loans at a total consideration of HK\$255,000,000.

As at the date of this announcement, each of Target A and Target B is an indirect wholly owned subsidiary of the Company and each an investment holding company. Target A Group is principally engaged in resort and property development focusing on the development of the BVI Project and Target B Group is principally engaged in resort and property development focusing on the development of the Panama Project. Upon Completion, each of Target A and Target B will cease to be a subsidiary of the Company and the Company will cease to hold any interest in the Target A Group and the Target B Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser is a company wholly and beneficially owned by Mr. Hung, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015, and is therefore a connected person of the Company. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

GENERAL

The SGM will be convened to consider and, if thought fit, to pass the resolution to approve the Disposal Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Disposal Agreement are fair and reasonable and how to vote in respect of the resolution(s) on the Disposal after taking into account the recommendation of the Independent Financial Adviser. Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Disposal.

As more time is needed to prepare the relevant financial and other information to be included in the circular in accordance with the relevant requirements of the Listing Rules, a circular containing, among other things, (i) further details of the Disposal Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 4 December 2015.

As the Disposal is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 9 November 2015 (after trading hours), the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to procure the sale to the Purchaser, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Sale Loans at a total consideration of HK\$255,000,000.

THE DISPOSAL AGREEMENT

The principle terms of the Disposal Agreement are as follows:

Date

9 November 2015 (after trading hours)

Parties

- (1) The Company as the vendor; and
- (2) The Purchaser as the purchaser.

The Purchaser is a company engaged in investment holding and is wholly and beneficially owned by Mr. Hung, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015, and is therefore a connected person of the Company under the Listing Rules.

Asset to be disposed of

The Company has agreed to procure the sale to the Purchaser, and the Purchaser has conditionally agreed to purchase,

- (1) the Sale Shares free from all encumbrances and together with all rights attaching thereto, including all rights to any dividend or other distribution declared, made or paid on the Sale Shares for which a record date occurs on or after the date of the Disposal Agreement; and
- (2) the Sale Loans free from all encumbrances.

As at the date of this announcement, the Target A Sale Loan and the Target B Sale Loan is approximately HK\$149,539,000 and HK\$125,902,000, respectively.

Consideration

The total consideration payable by the Purchaser for the Sale Shares and the Sale Loan is HK\$255,000,000, of which:

- (i) HK\$3,460,579 is the consideration for the Target A Shares;
- (ii) HK\$1 is the consideration for the Target B Share;
- (iii) HK\$149,539,421 is the consideration for the Target A Sale Loan; and
- (iv) HK\$101,999,999 is the consideration for the Target B Sale Loan.

The total consideration for the Sale Shares and the Sale Loans shall be payable by the Purchaser to the Company in the following manner:

- (i) a deposit in the sum of HK\$5,000,000 payable upon signing of the Disposal Agreement; and
- (ii) the balance of the consideration in the sum of HK\$250,000,000 shall be payable upon Completion.

The consideration for the Disposal was determined after arm's length negotiations between the Company and the Purchaser taking into account various factors including (i) the financial position, business outlook and future prospect of the BVI Project and the Panama Project; (ii) the valuation of the BVI Project; (iii) the valuation of the Panama Project; (iv) the adjusted unaudited consolidated net asset value of the Target A Group of approximately HK\$150,882,000 as at 31 October 2015 (the unaudited consolidated net asset value of the Target A Group of approximately HK\$1,343,000 after adjusted for the Target A Sale Loan of approximately HK\$149,539,000) (the "Target A Group Carrying Value"); and (v) the adjusted unaudited consolidated net asset value of the Target B Group of approximately HK\$99,401,000 as at 31 October 2015 (the unaudited consolidated net liability value of the Target B Group of approximately HK\$26,501,000 after adjusted for the Target B Sale Loan of approximately HK\$125,902,000) (the "Target B Group Carrying Value").

Conditions precedent

Completion is conditional upon the fulfillment of the following Conditions:

- (i) the passing of the resolution(s) by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder; and
- (ii) in relation to the transactions contemplated under the Disposal Agreement, all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied.

None of the Conditions are capable of being waived by any party.

If before Completion,

- (i) in the reasonable opinion of the Purchaser, a material adverse change on the Target A Group and the Target B Group has occurred or is likely to occur; or

- (ii) in the reasonable opinion of the Purchaser, any of the warranties given by the Company in the Disposal Agreement is not true and accurate or is misleading or any matter or circumstance has arisen, or come to the notice of the Purchaser, that in the reasonable opinion of the Purchaser would be likely to result in one or more of the said warranties not being true and accurate or is misleading were such warranties to be repeated at Completion by reference to the facts or circumstances then existing,

then, without prejudice to any other rights or remedies available to the Purchaser, the Purchaser may elect not to complete the Disposal by giving notice to the Company to that effect and the Deposit shall be refunded without interest to the Purchaser by the Company within seven Business Days from the giving of such notice.

In the event that the Conditions are not fulfilled on or before the Long Stop Date, and the parties to the Disposal Agreement do not proceed to Completion, the Deposit shall be refunded without interest by the Company to the Purchaser within seven Business Days from the Long Stop Date whereupon the Disposal Agreement shall terminate with immediate effect, and neither party shall have any rights or obligations against the other under the Disposal Agreement except for any antecedent breach.

In the event that the Conditions are fulfilled on or before the Long Stop Date, and the Purchaser does not proceed to Completion, the Deposit shall be forfeited by the Company. Other than the aforesaid situation, under no other circumstances shall the Deposit be forfeited by the Company.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to hold any interest in the Target A Group and the Target B Group and each of Target A and Target B will cease to be a subsidiary of the Company. Pursuant to the Disposal Agreement, upon Completion, the Vendor will procure each of AppliedLand and AIHL to execute the Target A Sale Loan Assignment and the Target B Sale Loan Assignment, respectively, pursuant to which (i) AppliedLand will transfer and assign the Target A Sale Loan to the Purchaser; and (ii) AIHL will transfer and assign the Target B Sale Loan to the Purchaser.

INFORMATION ON THE TARGET A GROUP AND THE TARGET B GROUP

The Target A Group is principally engaged in resort and property development focusing on the development of the BVI Project.

The table below sets forth the unaudited financial information of the Target A Group:

	For the year ended 30 June	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	(41,308)	(51)
Net loss after taxation	(42,627)	(51)

The unaudited consolidated net asset value of the Target A Group as at 31 October 2015 amounted to approximately HK\$1,343,000.

The Target B Group is principally engaged in resort and property development focusing on the development of the Panama Project.

The table below sets forth the unaudited financial information of the Target B Group:

	For the year ended 30 June	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit before taxation	(24,553)	1,645
Net (loss)/profit after taxation	(24,553)	1,645

The unaudited consolidated net liability value of the Target B Group as at 31 October 2015 amounted to approximately HK\$26,501,000.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Hung as at the date of this announcement.

REASONS FOR THE DISPOSAL AND INTENDED USE OF PROCEEDS

As at the date of this announcement, the Group is principally engaged in resort and property development, property investment and investment holding.

Since 2007, the Group has been partnering with InterIsle Holdings Limited (“InterIsle”) in the development of the BVI Project through Quorum Island (BVI) Limited (“Quorum”), a joint venture company owned as to 50% by Target A and 50% by InterIsle. As a result of the failure by InterIsle to comply with its payment obligation under the joint venture agreement, the Group commenced legal proceeding in the High Court of the British Virgin Islands in December 2012 and filed (i) a claim against InterIsle and relevant parties for the transfer of over 30% interest in Quorum to the Group as a result of its non-payment of the final installment of US\$10.5 million (equivalent to approximately HK\$81,900,000); and (ii) a claim against Quorum for the non-payment of a promissory note in the principal amount of US\$22 million (approximately HK\$171.6 million) (the “Litigation”). Whilst the master plan for the BVI Project has already been approved by the relevant authorities based on which the development of the BVI Project can commence, the actual commencement of development depends on the progress and outcome of the Litigation and market conditions (including the economic conditions in the US). The BVI Project has yet generated any revenue for the Group and with the ongoing Litigation, the Company believes that its ability to realise or monetise its investment in the BVI Project in the near term to be unlikely.

The Group first acquired the properties under the Panama Project in 2007. Owing to sluggish business conditions of resort business in the Republic of Panama and also the economic conditions in the US, the carrying value of the Panama Project has dropped considerably over the years. In view of the decrease in value and the diminishing development potential of the Panama Project, coupled with the anticipated cost associated with the development of the Panama Project, which the Company anticipates that additional financial funding will be required from time to time, the continued uncertainties associated with the economic conditions in the US, and the Panama Project has yet generated any revenue for the Group, the Company believes that the return on investment from the Panama Project may not be realised in the short term.

The Directors consider that it is in the best interests of the Company and the Shareholders as a whole to implement the Disposal based on the following reasons:

- the Disposal could allow the Group to realise its non-revenue generating investments and to utilize the proceeds from the Disposal as and when new opportunities arise to enhance the financial growth of the Remaining Group and to maximise the return to the Shareholders;
- the Disposal could allow the Group to focus and realign its resources in the revenue generating property investment and investment holding business;
- the Disposal could allow the Group to cease to account for its results for the possible future impairment loss on the amount and the promissory note due from Quorum, the possible future impairment loss on the Panama Project, and the loss attributed to the administrative expenses associated with the Target A Group and the Target B Group; and
- the Disposal could prevent the Remaining Group from bearing further risks, costs and uncertainties attached to the Litigation concerning the BVI Project and the possible further devaluation of the Panama Project.

Following the Disposal, the Company will no longer be involved in the BVI Project and the Panama Project.

Based on the above, the Directors (excluding the independent non-executive Directors who will form their view after receiving the advice from the Independent Financial Adviser) consider that the terms of the Disposal are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately HK\$253,700,000. The Group intends to apply the net proceeds as to approximately HK\$50,000,000 for investments in corporate bonds and the remaining balance of approximately HK\$203,700,000 as general working capital for the

Remaining Group and/or for attractive investment opportunities, particularly those that are property-related, which may arise in future and are expected to bring substantial value to the Group.

Based on the total consideration for the Disposal of HK\$255,000,000 less (i) the Target A Group Carrying Value of approximately HK\$150,882,000 as at 31 October 2015; (ii) the Target B Group Carrying Value of approximately HK\$99,401,000 as at 31 October 2015; and (iii) the related expenses of approximately HK\$1,300,000, it is expected that, upon Completion, for illustrative purpose, an unaudited gain before taxation of approximately HK\$3,417,000 will be recognised from the Disposal.

The actual gain or loss arising from the Disposal shall be determined based on the consolidated net asset/liability value of the Target A Group and the Target B Group and the amount of the Sale Loans as at the date of Completion, and also the amount of expenses actually incurred incidental to the Disposal which may be different from the above.

LISTING RULES IMPLICATIONS

As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser is a company wholly and beneficially owned by Mr. Hung, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015, and is therefore a connected person of the Company. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

GENERAL

The SGM will be convened to consider and, if though fit, to pass the resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Disposal Agreement are fair and reasonable and how to vote in respect of the resolution(s) on the Disposal after taking into account the recommendation of the Independent Financial Adviser. Donvex Capital Limited has been appointed as the

Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Disposal.

As more time is needed to prepare the relevant financial and other information to be included in the circular in accordance with the relevant requirements of the Listing Rules, a circular containing, among other things, (i) further details of the Disposal Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 4 December 2015.

As the Disposal is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“AIHL”	Applied International Holdings Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Company
“AppliedLand”	AppliedLand Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“BVI Project”	a resort project located at Beef Island, Tortola in the British Virgin Islands, which comprises approximately 267 hectares (approximately 660 acres or 28.75 million square feet) of land and is envisioned to be a master-planned resort community which will include: a five-star luxury resort hotel with approximately 200 hotel and condo-hotel units, destination spa, signature

restaurants and conference rooms; a first-class marina with approximately 135 ships, including facilities for 15 mega-yachts over 80 feet; a golf course and up to 600 high-end residential units including townhomes, beachfront residences, ocean-view villas, and secluded mountain estate homes; as well as a unique artisan and retail village at Trellis Bay

“Company”	Applied Development Holdings Limited (實力建業集團有限公司*), a company incorporated in Bermuda, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 519)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the second Business Day after the fulfillment of the last Condition or such other date as the Company and the Purchaser may agree in writing on which Completion takes place
“Condition(s)”	the condition(s) of the Disposal Agreement precedent to Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deposit”	the deposit and part payment of the consideration for the Sale Shares and the Sale Loans in the sum of HK\$5,000,000
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares and the Sale Loans to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 9 November 2015 entered into between the Company and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors to be established for the purpose of giving recommendation to the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (i) Mr. Hung, the Purchaser and their respective associates; and (ii) any Shareholder with a material interest in the Disposal or the transactions contemplated therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 January 2016, or such other date as may be agreed by the Company and the Purchaser in writing
“Mr. Hung”	Mr. Hung Kin Sang, Raymond, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015
“Panama Project”	a resort project in the Republic of Panama comprising two pieces of land: (i) a piece of land of approximately 494 hectares (approximately 1,223 acres or 53.27 million square feet) named Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui in Panama; and (ii) a hot spring with a land size of approximately 9 hectares (approximately 22.3 acres or 0.97 million square feet) in the Borough of San Felix, Province of Chiriqui in Panama. The Panama Project is planned to feature a luxury hotel, a marina facility

	and a marina village, an 18-hole golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Glory Paradise Group Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Hung
“Remaining Group”	the Group immediately after Completion
“Sale Loans”	the Target A Sale Loans and the Target B Sale Loans
“Sale Shares”	the Target A Sale Shares and the Target B Sale Share
“SGM”	the special general meeting of the Shareholders to be convened by the Company to consider and approve the Disposal Agreement and the transactions contemplated thereunder
“Shares”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target A”	Applied Enterprises Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company as at the date of the Disposal Agreement and this announcement
“Target A Group”	Target A and its joint venture
“Target A Sale Loan”	all obligations, liabilities and debts owing or incurred by Target A to AppliedLand as at the Completion Date
“Target A Sale Loan Assignment”	a deed of assignment of loan to be executed by AppliedLand, the Purchaser and Target A upon Completion pursuant to which AppliedLand will transfer and assign the Target A Sale Loan to the Purchaser

“Target A Sale Shares”	1,000 ordinary shares of HK\$1.00 each of Target A, representing the entire issued share capital of Target A
“Target B”	Beachside Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company as at the date of the Disposal Agreement and this announcement
“Target B Group”	Target B and its subsidiaries
“Target B Sale Loan”	all obligations, liabilities and debts owing or incurred by Target B to AIHL as at the Completion Date
“Target B Sale Loan Assignment”	a deed of assignment of loan to be executed by AIHL, the Purchaser and Target B upon Completion pursuant to which AIHL will transfer and assign the Target B Sale Loan to the Purchaser
“Target B Sale Share”	1 ordinary share of US\$1.00 each of Target B, representing the entire issued share capital of Target B
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Applied Development Holdings Limited
Wang Jingyu
Chairlady and Managing Director

Hong Kong, 9 November 2015

As at the date of this announcement, the Executive Directors are Ms. Wang Jingyu, Ms. Ng Kit Ling, Mr. Tsao Hoi Ho and Mr. Meng Song; the Independent Non-executive Directors are Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence.

** For identification purposes only*

In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text thereof.