
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should seek independent professional advice.

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to under the section headed “Documents delivered to the Registrar of Companies” in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of any of the Prospectus Documents.

If you have sold or transferred all your securities in Applied Development Holdings Ltd. (the “Company”), you should at once hand the Prospectus Documents to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders in the United States of America (“the United States”) and the United Kingdom are not eligible to participate in the Rights Issue described in this Prospectus and this Prospectus is provided to Shareholders in the United States and the United Kingdom for information purposes only.

This Prospectus does not constitute or form a part of any offer to sell or a solicitation of any offer to buy securities in the United States (including its territories and possessions, any state of the United States and the District of Columbia). The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws of the United States, and may not be offered or sold within the United States absent registration under the Securities Act or except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Applied Development Holdings Limited will not engage in a public offering of securities in the United States and does not intend to register any of its securities under the Securities Act.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its 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 Prospectus.



APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

**RIGHTS ISSUE OF 579,886,913 RIGHTS SHARES
OF HK\$0.01 EACH AT HK\$0.139 PER RIGHTS SHARE
ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY TWO SHARES
HELD ON THE RECORD DATE**

Underwriter of the Rights Issue



**結好證券有限公司
GET NICE SECURITIES LIMITED**

Capitalised terms used in this cover have the same meanings as those defined in this Prospectus.

The Shares have been dealt in on an ex-rights basis from Friday, 18 July 2014. Dealings in the Rights Shares in their nil-paid form is expected to take place from Tuesday, 29 July 2014 to Tuesday, 5 August 2014 (both dates inclusive). If the Underwriter terminates the Underwriting Agreement at or before 4:00 p.m. on the Settlement Date or the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Rights Issue having become unconditional and the Underwriter not having terminated or rescinded (as the case may be) the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” of this Prospectus). Accordingly, the Rights Issue may or may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company. Any Shareholder or other person contemplating any dealings in the Shares and/or nil-paid Rights Shares is recommended to consult their own professional advisers.

The latest date for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 8 August 2014. The procedure for acceptance and transfer is set out on pages 11 to 12 of this Prospectus.

25 July 2014

* For identification only

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter receives notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

TERMINATION OF THE UNDERWRITING AGREEMENT

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine, and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Dealings in the Rights Shares in their nil-paid form is expected to take place from Tuesday, 29 July 2014 to Tuesday, 5 August 2014 (both dates inclusive). If the conditions of the Rights Issue as set out under the section headed “Conditions of the Rights Issue” in this Prospectus are not fulfilled (or waived, as applicable) or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholder or other person contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed.

Any Shareholder or other person contemplating any dealings in the Shares and/or nil-paid Rights Shares is recommended to consult their own professional advisers.

CONTENT

	<i>Page</i>
Definitions	1
Summary of the Rights Issue.....	4
Expected timetable.....	5
Letter from the Board.....	7
Appendix I – Financial information of the Group	21
Appendix II – Unaudited Pro Forma Financial Information of the Group.....	26
Appendix III – General information	31

DEFINITIONS

In this Prospectus, the following expressions shall have the following meanings unless the context otherwise requires:

“Acceptance Date”	4:00 p.m. on Friday, 8 August 2014 (or such other time or date as the Underwriter may agree in writing with the Company as the latest time for acceptance of, and payment for, the Rights Shares)
“acting in concert”	the meaning ascribed thereto in the Takeovers Code
“Announcement”	the announcement of the Company dated 3 July 2014 relating to the Rights Issue
“Associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “Applied Development”	Applied Development Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) for application for excess Rights Shares issued to the Qualifying Shareholders in connection with the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jaytime”	Jaytime Overseas Ltd, a company incorporated under the laws of BVI and wholly owned by Mr. Hung
“Last Trading Day”	3 July 2014, being the last trading day before the issue of the Announcement

DEFINITIONS

“Latest Practicable Date”	21 July 2014, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Malcolm Trading”	Malcolm Trading Inc, a company incorporated under the laws of the People’s Republic of Panama and wholly owned by Mr. Hung
“Mr. Hung”	Mr. Hung Kin Sang, Raymond, the Managing Director of the Company
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on advice provided by legal advisers, consider it necessary or expedient to exclude such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholders”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Friday, 25 July 2014 (or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case maybe))
“PRC”	the People’s Republic of China which, for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan
“Prospectus Documents”	this Prospectus, the PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 24 July 2014 (or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined)
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“Rights Issue”	the proposed issue of the Rights Shares on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date to the Qualifying Shareholders at a subscription price of HK\$0.139 per Rights Share
“Rights Share(s)”	the 579,886,913 new Share(s) provisionally allotted under the Rights Issue
“Settlement Date”	Tuesday, 12 August 2014, being the second Business Day following the Acceptance Date (or such other time or date as the Underwriter and the Company may agree in writing as the date for settlement of the Rights Issue)
“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
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.139 per Rights Share
“subsidiaries”	the subsidiaries (as “subsidiary” is defined in the Listing Rules) of the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Undertaking”	the irrevocable undertaking dated 3 July 2014 from Mr. Hung, Malcolm Trading and Jaytime to the Company and the Underwriter as described in the section headed “Undertaking” in this Prospectus
“Underwriter”	Get Nice Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 3 July 2014, entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%” or “per cent.”	percentage or per centum

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Basis of the Rights Issue	: One (1) Rights Share for every two (2) Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	: 1,159,773,826 Shares
Number of Rights Shares	: 579,886,913 Rights Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) with an aggregate nominal value of HK\$5,798,869.13
Subscription price per Rights Share	: HK\$0.139
Underwriter	: Get Nice Securities Limited
Enlarged issued share capital of the Company upon completion of the Rights Issue	: 1,739,660,739 Shares
Funds raised before expenses	: Approximately HK\$80.6 million
Latest time for acceptance	: 4:00 p.m. on Friday, 8 August 2014
Right of excess applications:	: Qualifying Shareholders have the right to apply for Rights Shares in excess of their provisional allotments

Note: As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 579,886,913 Rights Shares represent 50% of the Company's issued share capital as at the Latest Practicable Date and approximately 33.33% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue. The timetable is subject to change in accordance with the agreement between the Company and the Underwriter. The Company will notify the Shareholders of any changes to the expected timetable as and when appropriate.

Record Date	Thursday, 24 July 2014
Register of members re-opens	Friday, 25 July 2014
Despatch of Prospectus Documents	Friday, 25 July 2014
First day of dealings in nil-paid Rights Shares	Tuesday, 29 July 2014
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 31 July 2014
Last day of dealings in nil-paid Rights Shares	Tuesday, 5 August 2014
Latest time for acceptance of the Rights Issue as well as application for excess Rights Shares and payment of consideration thereof	4:00 p.m. on Friday, 8 August 2014
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Tuesday, 12 August 2014
Announcement of results of acceptance and excess applications of the Rights Issue	Thursday, 14 August 2014
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Friday, 15 August 2014
Despatch of certificates for fully-paid Rights Shares	Friday, 15 August 2014
First day of dealings in fully-paid Rights Shares	Monday, 18 August 2014

Dates or deadlines specified for events in this timetable for (or otherwise in relation to) the Rights Issue refer to Hong Kong local time and are indicative only and may be varied by agreement between the Company and the Underwriter.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares will be changed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares 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.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Acceptance Date, the dates mentioned in the “Expected Timetable” in this section may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE BOARD



APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

Executive Directors:

Mr. Hung Kin Sang, Raymond
Mr. Hung Kai Mau, Marcus
Ms. Ng Kit Ling

Independent Non-executive Directors:

Mr. Lun Tsan Kau
Mr. Su Ru Jia
Mr. Lo Yun Tai
Mr. Chan Ming Fai, Terence

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of
business in Hong Kong:*

Units 3402-3, 34th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

25 July 2014

*To the Qualifying Shareholders, and
for information only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF 579,886,913 RIGHTS SHARES
OF HK\$0.01 EACH AT HK\$0.139 PER RIGHTS SHARE
ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY TWO SHARES
HELD ON THE RECORD DATE**

INTRODUCTION

On 3 July 2014, the Company announced that the Company proposes to raise approximately HK\$80.6 million before expenses by way of the rights issue of 579,886,913 Rights Shares at a subscription price of HK\$0.139 per Rights Share on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 1,159,773,826 Shares in issue. As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 579,886,913 Rights Shares represent 50% of the Company's issued share capital as at the Latest Practicable Date and approximately 33.33% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

The purpose of this Prospectus is to provide you with details of the Rights Issue, including information on dealing and transfer of the Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotments of Rights Shares and certain financial information of the Group.

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	: One (1) Rights Share for every two (2) Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	: 1,159,773,826 Shares
Number of Rights Shares	: 579,886,913 Rights Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) with an aggregate nominal value of HK\$5,798,869.13
Subscription price per Rights Share	: HK\$0.139
Underwriter	: Get Nice Securities Limited
Enlarged issued share capital of the Company upon completion of the Rights Issue	: 1,739,660,739 Shares
Funds raised before expenses	: Approximately HK\$80.6 million

Note: As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 579,886,913 Rights Shares represent 50% of the Company's issued share capital as at the Latest Practicable Date and approximately 33.33% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders other than those Qualifying Shareholders who hold only one Share on the Record Date and therefore will not be provisionally allotted any Rights Shares, who will only be sent the Prospectus and the EAF. The Company will send copies of this Prospectus to the Non-Qualifying Shareholders, for their information only, but the Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

LETTER FROM THE BOARD

To qualify for the Rights Issue, investors must be registered as a member of the Company at the close of business on the Record Date and be Qualifying Shareholders.

Subscription Price

The subscription price for the Rights Shares is HK\$0.139 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for Rights Shares or, where applicable, on application for excess Rights Shares under the Rights Issue. Such Subscription Price represents:

- (i) a discount of approximately 67.3% to the closing price of HK\$0.425 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 64.2% to the average closing price of approximately HK\$0.388 per Share for the five consecutive trading days ended on the Last Trading Day;
- (iii) a discount of approximately 63.0% to the average closing price of approximately HK\$0.3755 per Share for the ten consecutive trading days ended on the Last Trading Day;
- (iv) a discount of approximately 57.9% to the theoretical ex-rights price of approximately HK\$0.330 per Share based on the closing price of HK\$0.425 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 52.1% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares and recent market conditions.

The Directors note the discounts set out above. However, the Directors consider that the discounts as indicated above would encourage existing Shareholders to take up their entitlements so that they can maintain their interests and participate in the growth of the Group, and taking into consideration the benefits of the Rights Issue as discussed below in the paragraph headed "Reasons for the Rights Issue and the use of proceeds", the Directors consider the terms of the Rights Issue, including the Subscription Price, and the underwriting commission, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of provisional allotment is one (1) Rights Share for every two (2) Shares held at the close of business on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before the Acceptance Date.

LETTER FROM THE BOARD

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment (or waiver, where applicable) of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto on or before Friday, 15 August 2014, by ordinary post to their registered address at their own risk.

One share certificate will be issued for all fully-paid Rights Shares issued to those entitled thereto.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Friday, 15 August 2014 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares. No odd lot matching services will be provided.

Fractions of Rights Shares

Fractional entitlements, if any, to Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company. Accordingly, no PAL will be sent to Qualifying Shareholders who hold only one Share on the Record Date. They will only be sent the Prospectus and EAF. Any unsold Rights Shares arising out of the aggregation of fractions of Rights Shares will be available for excess application on EAFs by Qualifying Shareholders.

Rights Shareholders with registered addresses outside Hong Kong

The Prospectus Documents have not been and will not be registered and/or filed under any applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents or any other documents issued in connection with the Rights Issue in any jurisdiction other than Hong Kong. No person receiving this Prospectus or the PAL or the EAF in any territory outside Hong Kong may treat it as an offer or invitation to take up Rights Shares or apply for excess Rights Shares, except in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of persons outside Hong Kong wishing to take up or make an application for Rights Shares to satisfy themselves, before accepting any provisional allotment of Rights Shares or applying for excess Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith without prejudice to the foregoing. The Company reserves the right to refuse to act on any acceptance of provisional allotment of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that doing so would or may violate applicable securities legislations or other laws or regulations of any jurisdiction.

Based on the register of members of the Company, as at the Latest Practicable Date, the Company had Shareholders with registered addresses in Canada, the United Kingdom, the United States of America, Macau Special Administrative Region of the PRC, Singapore, New Zealand, Australia, Indonesia, France, Philippines and Spain.

LETTER FROM THE BOARD

Based on the advice provided by the relevant foreign legal advisers, the Directors are of the view that Shareholders with registered addresses in (i) the United States cannot participate in the Rights Issue due to the registration requirements under the United States Securities Act of 1933, as amended; and (ii) the United Kingdom cannot participate in the Rights Issue due to the requirements of the Financial Services and Markets Act 2000 (as amended) and the Prospectus Rules published by the UK Financial Conduct Authority.

Such Overseas Shareholders will therefore be excluded from the Rights Issue, and, are Non-Qualifying Shareholders for the purposes of the Rights Issue. This Prospectus (but not the PAL and/or EAF) will be sent to them for their information only.

The Company will make arrangements for Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid to the Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholdings as soon as possible, provided that individual amounts of HK\$100 or less shall be retained by the Company for its own benefit. Any unsold entitlements of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Other than Shareholders with registered addresses in the United States and the United Kingdom, the Overseas Shareholders, together with Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders for the purpose of the Rights Issue. The Prospectus Documents will be sent, and the Rights Issue will be offered, to such Qualifying Shareholders.

Procedure for acceptance or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If the Qualifying Shareholders wish to exercise their right to subscribe for all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL intact in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, by no later than 4:00 p.m. on Friday, 8 August 2014. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Applied Development Holdings Limited – Rights Issue Account**" and crossed "Account Payee Only". No receipt will be given for such remittances.

Unless the PAL, duly completed together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Friday, 8 August 2014, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions in the PAL. The Company may require such incomplete PALs to be completed by the relevant applicant at a later stage.

LETTER FROM THE BOARD

Completion and return of the PAL will constitute a representation and warranty by the applicant to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong, in connection with the PAL and any acceptance of provisionally allotted Rights Shares, have been, or will be, duly complied with.

The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that in doing so would or may violate the applicable securities legislations or other laws or regulations of any jurisdiction.

If the Qualifying Shareholders wish to transfer all of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL, they must complete and sign the form of transfer and nomination contained in the PAL, and hand the PAL to the transferee(s) or to persons through whom they are transferring their rights. The transferee(s) must then complete and sign the registration application form contained in the PAL and lodge the PAL intact together with a remittance for the full amount payable on acceptance of the Rights Shares with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 8 August 2014. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Applied Development Holdings Limited – Rights Issue Account**" and crossed "Account Payee Only". No receipt will be given for such remittances. Stamp duty is payable in connection with the transfer of rights to subscribe for Rights Shares and the acceptance of such rights.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer all of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 31 July 2014 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the office of the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of a PAL with a cheque and/or cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a representation and warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Without prejudice to any other rights of the Company, any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to their registered addresses at the risk of such applicants on or before Friday, 15 August 2014.

LETTER FROM THE BOARD

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, for any Rights Shares provisionally allotted but not accepted and for any unsold Rights Shares arising out of the aggregation of fractional entitlements.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, by no later than 4:00 p.m. on Friday, 8 August 2014. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by a licensed bank in Hong Kong and made payable to "**Applied Development Holdings Limited – Excess Application Account**" and crossed "Account Payee Only". No receipt will be given for such remittances.

Completion and return of the EAF will constitute a representation and warranty by the applicant to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong, in connection with the EAF and any applications made for excess Rights Shares, have been, or will be, duly complied with.

The Registrar will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which will be at the discretion of the Directors on a fair and equitable basis according to the principle that any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of excess Rights Shares applied for, but no reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the number of excess Rights Shares applied for by them in full. No preference will be given to topping up odd lots to whole board lots. There is no guarantee that Qualifying Shareholders will be allocated any excess Rights Shares they have applied for.

The Directors consider that a pro-rata allocation of excess Rights Shares is the fairest method for allocation of excess Rights Shares amongst Qualifying Shareholders by treating their applications equally and without preference. Those Qualifying Shareholders may apply for any number of excess Rights Shares and should they wish to use the opportunity to top up their odd lots of Shares, they may do so.

Investors with their Shares held by nominee(s) should note that the nominee is a single Shareholder for the purposes of the Rights Issue. Accordingly, investors whose Shares are registered in the names of nominees should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually.

The latest time for acceptance of Rights Shares and the application for excess Rights Shares as well as respective payment thereof is expected to be at 4:00 p.m. on Friday, 8 August 2014, or such later date or time as may be agreed between the Company and the Underwriter.

LETTER FROM THE BOARD

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of an EAF with a cheque and/or cashier's order by a Qualifying Shareholder will constitute a representation and warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Without prejudice to any other rights of the Company, any EAF in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

If no excess Rights Shares are allotted to an applicant for excess Rights Shares or the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to the registered addresses at the risk of such applicants on or before Friday, 15 August 2014.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

Listing and dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal on the Stock Exchange in the Rights Shares, in both their nil-paid and fully-paid forms. Dealings in the Rights Shares in their nil-paid form is expected to commence on Tuesday, 29 July 2014 and will end on Tuesday, 5 August 2014, both days inclusive.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as may be determined by HKSCC. All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 5,000, registered in the branch register of members of the Company in Hong Kong, will be subject to the payment of stamp duty in Hong Kong.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following:

1. the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong on or prior to the Posting Date of the Prospectus Documents and all other documents required by law to be filed or delivered for registration;
2. the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;
3. compliance by the Company with certain obligations under the Underwriting Agreement;
4. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date;
5. the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than five (5) trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
6. the Underwriting Agreement not having been terminated in accordance with the terms thereof; and
7. delivery by the Company to the Underwriter of the Undertaking duly executed in favour of the Company and the Underwriter.

As at the Latest Practicable Date, condition 7 has been satisfied.

In the event that conditions 1, 2 and 3 have not been satisfied and/or (in the case of condition 3 only) waived in whole or in part by the Underwriter on or before the Posting Date, or in the event that conditions 4 and 5 have not been satisfied and/or waived in whole or in part by the Underwriter on or before 4.00 p.m. on the Settlement Date (or, in each case, such later date as the Underwriter and the Company may agree), all liabilities of the Company and the Underwriter shall cease and determine and neither party shall have any claim against the other save in respect of antecedent breaches and claims (except that certain expenses of the Underwriter shall remain payable by the Company) and the Undertaking will lapse and the Rights Issue will not proceed.

Underwriting arrangement and Underwriting Agreement dated 3 July 2014

The Underwriter has agreed to fully underwrite 296,316,622 Rights Shares (being all the 579,886,913 Rights Shares under the Rights Issue less the 283,570,291 Rights Shares which are subject to the Undertaking). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of the Company and connected persons of the Company.

LETTER FROM THE BOARD

In the Underwriting Agreement, the Underwriter has confirmed that (a) the Underwriter shall and shall cause the sub-underwriters (if any) to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with; and (b) each of the Underwriter and the sub-underwriters (if any) (in each case together with their respective ultimate beneficial owners) do not have any shareholding in the Company which, in aggregate, represent 10% or more of the issued share capital of the Company, and that they are not otherwise connected persons of the Company.

Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its best endeavours to ensure that each of the subscribers or purchasers (in each case together with their respective ultimate beneficial owners) of the Right Shares procured by it: (i) shall be third party(ies) independent of, not acting in concert (as such term is defined in the Takeovers Code) with and shall not be connected with the Directors, chief executive or substantial shareholders of the Company or their respective Associates; (ii) shall not, together with party(ies) acting in concert (as such term is defined in the Takeovers Code) with each of them, hold 29.9% (or such other percentage which shall trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company upon completion of the Rights Issue; and (iii) will not own 10% or more of the issued share capital of the Company immediately after the Rights Issue and are not otherwise connected persons of the Company.

Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate subscription price of the Rights Shares underwritten by it. The Directors believe that the underwriting commission accords with market rates and that the commission and other terms of the Underwriting Agreements are fair and reasonable.

Undertaking

As at the Latest Practicable Date, other than any interest or deemed interest in the Rights Shares which are the subject of the Undertaking, as described below, Mr. Hung was interested in a total of 567,140,584 Shares of which he is the beneficial owner of 492,117,701 Shares, 44,362,883 Shares are held by Malcolm Trading and 30,660,000 Shares are held by Jaytime.

Pursuant to the Underwriting Agreement, Mr. Hung, Malcolm Trading and Jaytime signed an Undertaking in favour of the Company and the Underwriter on 3 July 2014 pursuant to which they conditionally undertook, inter alia, that the Shares held by them or in which they were interested on the date of the Undertaking will remain registered in their names or that they will remain beneficially owned by them at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to them in respect of those Shares (representing 283,570,291 Rights Shares) will be taken up and paid for in full by them.

The obligations of Mr. Hung, Malcolm Trading and Jaytime under the Undertaking are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If this condition is not fulfilled, all liabilities of Mr. Hung, Malcolm Trading and Jaytime under the Undertaking shall cease and determine and the Undertaking shall lapse. Mr. Hung, Malcolm Trading and Jaytime will not apply for any excess Rights Shares.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter receives notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

LETTER FROM THE BOARD

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine, and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Dealings in the Rights Shares in their nil-paid form are expected to take place from Tuesday, 29 July 2014 to Tuesday, 5 August 2014 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholder or other person contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed.

Any Shareholder or other person contemplating any dealings in the Shares and/or nil-paid Rights Shares are recommended to consult their own professional advisers.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in resort and property development and property and investment holding.

The gross proceeds of the Rights Issue will be approximately HK\$80.6 million. The estimated expenses of the Rights Issue amount to approximately HK\$3.6 million and will be borne by the Company. The estimated net proceeds of the Rights Issue will therefore be approximately HK\$77 million and the net price per Rights Share will be approximately HK\$0.133 (assuming no Shares have been allotted and issued or repurchased on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue (i) as to approximately HK\$15 million for the payment of pre-development costs of existing overseas projects comprising approximately HK\$9 million towards estimated property tax payable up to December 2015, estimated operating costs including costs associated with the Group's application for hot spring concession approval in relation to the Group's project in Panama (the "Panama Project"), approximately HK\$2 million being set aside in and towards estimated litigation costs involving the ownership of the Group's project in the BVI (the "BVI Project") and approximately HK\$4 million for the estimated pre-development expenses expected to be incurred in connection with the Panama Project and the BVI Project, further information relating to which is set out in "D. Business Review and Prospects of the Group" in Appendix I to this Prospectus; and (ii) as to approximately HK\$22 million for opportunistic investment by the Group in properties and/or other businesses that operate within the same business segments of the Group, although no suitable targets have been identified as at the Latest Practicable Date. The balance of the net proceeds of approximately HK\$40 million is earmarked as general working capital of the Group including administrative expenses of the Group up to December 2015 (which, for the year ended 30 June 2013, amounted to HK\$25,211,000).

LETTER FROM THE BOARD

The Directors consider that it is prudent to finance the Group's long term growth by way of the Rights Issue which will strengthen the Group's capital base and enhance its financial position without increasing finance costs. The Rights Issue also enables the Qualifying Shareholders to maintain their respective pro-rata shareholding in the Company and participate in the growth of the Group through the Rights Issue. The Board considers that the fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDINGS OF THE COMPANY

The shareholdings in the Company (i) before the Rights Issue; (ii) immediately after completion of the Rights Issue assuming all Rights Shares are taken up by Qualifying Shareholders or sold in the market; and (iii) immediately after completion of the Rights Issue assuming only Mr. Hung, Malcolm Trading and Jaytime take up their provisional allotment of Rights Shares are and will be as follows:

	Existing shareholding		After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders or sold in the market)		After completion of the Rights Issue (assuming only Mr. Hung, Malcolm Trading and Jaytime take up their Rights Shares)	
	Shares	%	Shares	%	Shares	%
Mr. Hung (Note 1)	567,140,584	48.90	850,710,875	48.90	850,710,875	48.90
Mr. Marcus Hung (Note 2)	2,960,000	0.26	4,440,000	0.26	2,960,000	0.17
Ms. Ng Kit Ling (Note 3)	10,000	0.00	15,000	0.00	10,000	0.00
Public	589,663,242	50.84	884,494,864	50.84	589,663,242	33.90
Underwriter (Notes 4 and 5)	0	0.00	0	0.00	296,316,622	17.03
Total	1,159,773,826	100.00	1,739,660,739	100.00	1,739,660,739	100.00

Notes:

1. Mr. Hung is an executive Director and is the beneficial owner of 492,117,701 Shares. 44,362,883 Shares are held by Malcolm Trading and 30,660,000 Shares are held by Jaytime. Malcolm Trading and Jaytime are wholly owned by Mr. Hung. Mr. Hung is the father of Mr. Marcus Hung. Mr. Hung has confirmed to the Company that 10,010,056 Shares held in the name of Ms. Wong Kar Gee, Mimi were ordered to be transferred to him pursuant to a court order in September 2013.
2. Mr. Marcus Hung Kai Mau ("Mr. Marcus Hung") is an executive Director and the son of Mr. Hung. Mr. Marcus Hung has indicated to the Company that he will take up his provisional allotment of Rights Shares but will not apply for excess Rights Shares.
3. Ms. Ng Kit Ling is an executive Director. Ms. Ng Kit Ling has indicated to the Company that she will take up her provisional allotment of Rights Shares but will not apply for excess Rights Shares.
4. In the Underwriting Agreement, the Underwriter has confirmed that (a) the Underwriter shall and shall cause the sub-underwriters (if any) to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with; and (b) each of the Underwriter and the sub-underwriters (if any) (in each case together with their respective ultimate beneficial owners) do not have any shareholding in the Company which, in aggregate, represent 10% or more of the issued share capital of the Company, and that they are not otherwise connected persons of the Company.
5. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its best endeavours to ensure that each of the subscribers or purchasers (in each case together with their respective ultimate beneficial owners) of the Right Shares procured by it: (i) shall be third party(ies) independent of, not acting in concert (as such term is defined in the Takeovers Code) with and shall not be connected with the Directors, chief executive or substantial shareholders of the Company or their respective Associates; (ii) shall not, together with party(ies) acting in concert (as such term is defined in the Takeovers Code) with each of them, hold 29.9% (or such other percentage which shall trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company upon completion of the Rights Issue; and (iii) will not own 10% or more of the issued share capital of the Company immediately after the Rights Issue and are not otherwise connected persons of the Company.

LETTER FROM THE BOARD

The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue.

CAPITAL RAISING ACTIVITIES DURING PAST 12 MONTHS

The Company has not carried out any capital raising activities in the past 12 months immediately preceding the date of the Announcement.

GENERAL

If you have questions in relation to the Rights Issue, please contact the Shareholder hotline on (852) 2862 8633 during business hours from 9:00 a.m. to 6:00 p.m., on Monday to Friday (other than Hong Kong public holidays).

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this Prospectus.

Yours faithfully,
For and on behalf of
Applied Development Holdings Limited
Hung Kai Mau, Marcus
Chairman

A. THREE-YEAR FINANCIAL INFORMATION

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheets together with the notes on the annual accounts of the Group for each of the three years ended 30 June 2011, 2012 and 2013 are disclosed in pages 35 to 130 of the annual report 2011 of the Company, pages 39 to 130 of the annual report 2012 of the Company and pages 38 to 126 of the annual report 2013 of the Company respectively. The unaudited condensed consolidated financial information of the Group for the six months ended 31 December 2013 together with the relevant notes can be found on pages 4 to 18 of the interim report 2014 of the Company.

The said annual reports and the interim report of the Company are available on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.applieddev.com/>).

As stated in the auditor's reports on the consolidated financial statements of the Company for the three years ended 30 June 2013, the auditors of the Company were of the opinion that the consolidated financial statements gave a true and fair view of the state of affairs of the Group as at each of 30 June 2011, 30 June 2012 and 30 June 2013, and of the Group's loss and cash flows for each of the years ended 30 June 2011, 30 June 2012 and 30 June 2013, in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Companies Ordinance of Hong Kong (as in force prior to 3 March 2014).

In its report on the consolidated financial statements of the Company for the year ended 30 June 2011, the auditors drew attention to certain matters, the text of which has been extracted from the annual report 2011 of the Company as follows:

“We draw attention to note 42 to the consolidated financial statements concerning the uncertainty relating to the possible outcome of certain court proceedings lodged by a former director against the Group for claiming that certain investment properties, which have been included in the Group's consolidated financial statements, are actually held by a subsidiary as a trustee for the former director. The Group denied the former director's claim. The directors have sought legal advice from lawyers and are of the view that the Group has proper and valid defences to the former director's claim. Therefore, the consolidated financial statements do not include any adjustments that would result from the outcome of the lawsuit. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

We also draw attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. At the end of the reporting period, the Group had net current liabilities of HK\$6,610,000. The validity of the going concern basis depends on the Group's future profitable operation and the bank's continuing finance. The consolidated financial statements do not include any adjustments that would result from a failure to attain future profitable operations. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.”

B. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the existing banking facilities available and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this Prospectus in the absence of unforeseen circumstances.

C. INDEBTEDNESS**Borrowings**

At the close of business on 30 June 2014, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding secured bank borrowings and unsecured borrowings from a financial institution of approximately HK\$88.8 million and approximately HK\$10 million, respectively.

In addition, the Group had an outstanding obligation under finance lease from a bank of approximately HK\$ 0.6 million.

Pledge of assets and other securities

As at the close of business on 30 June 2014, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had provided the following securities for the banking facilities granted to Applied Investment (Asia) Limited (“AIA”), a subsidiary of the Company:

- (a) pledge of investment properties with a carrying amount of approximately HK\$231 million;
- (b) all monies earned by the above pledged investment properties of the Group;
- (c) property insurance on the pledged investment properties executed by the Group in favour of the bank; and
- (d) unconditional and irrevocable corporate guarantee given by the Company in respect of all amounts owing by AIA to the bank under the facility.

The Group’s obligation under financial lease is secured by the lessor’s charge over certain leased assets with a carrying amount of approximately HK\$1.9 million.

Save as set out above, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

In addition, details of litigation in which the Group has been engaged and which are considered to be of material importance to the Group are set out in the section headed “E. Material Adverse Change” in this Appendix and in the section headed “7. Litigation” in Appendix III to this Prospectus.

D. BUSINESS REVIEW AND PROSPECTS OF THE GROUP**Business Review**

The Group has two resort projects, one in the BVI and one in Panama, which are expected to provide a satisfactory return to the Company. The main investment properties held by the Group in Hong Kong, Severn Villa, has generated rental income for the Group.

(i) Resort and Property Development**BVI Project**

The Group has a project located at Beef Island, Tortola in the BVI (the “BVI Project”), 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 hotels and condohotel 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 a unique artisan and retail village at Trellis Bay.

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 in connection with the ownership of Quorum Island (BVI) Limited and market conditions (including the economic conditions in the United States). For details on the status of the litigation in connection with the BVI Project, please refer to the section headed “7. Litigation” in Appendix III to this Prospectus. 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.

Panama Project

The Group also has a resort project located in Panama (the “Panama Project”), which comprises 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 (the “Panama Land”); 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 “Hot Spring Property”).

The management of the Company has worked with professionals and architects on the relevant plans for the sub-lot region of the Panama Land for submission to the relevant authorities of Panama. The Panama Project plans 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. After completion of the Panama Project, it is expected that 2,000 residential units in the various branded residential lots will be offered for sale.

The Group intends to adopt for the Panama Project the business model for the BVI Project, and intends to partner with renowned experts in the resort development industry to develop the Panama Project subject to the prevailing economic climate and conditions of the property market. As at the Latest Practicable Date, the Company is studying and developing plans for pre-development works for the Panama Project and at the same time is seeking for partners to develop the Panama Project. Application for the hot spring concession was made in 2013 and is being processed by the relevant authorities. Subject to no opposition being made against the application and no other unforeseen circumstances, the hot spring concession is expected to be granted by the end of 2014. The commencement of development works is subject to approval of the relevant authorities of a master development plan and to market conditions. Alternatively, if a suitably attractive offer is made by potential buyers, the Board may consider the disposal of all or part of its interest in the Panama Land and/or the Hot Spring Property.

(ii) Property Investment and Holding

The investment properties of the Group in Hong Kong, Severn Villa, generated rental income to the Group since the second quarter of 2014 in the amount of approximately HK\$279,000.

For details of the status of the litigation in connection with the investment property held by the Group in Guangdong Province, PRC, please refer to the section headed “E. Material Adverse Change” in this Appendix.

(iii) Investment Holding

During the year ended 30 June 2013, the Group realised all the remaining financial assets held by the Group at a slight profit. The management continues to seek investment opportunities which may result in a satisfactory yield for the Group. However, the Company currently has no investment plans on hand.

PROSPECTS AND OUTLOOK

Following the improvement of the economy of the United States, the Company intends to commence the Group’s overseas resort development projects, subject to the conditions of the property market in the relevant region. The management expects that the Group’s investment properties in Hong Kong and Panama and the development project in the BVI will bring in satisfactory returns to the Group in the future. In addition, the Group will continue to seek other appropriate investment opportunities which may bring satisfactory return to the Group.

E. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were aware of the following material adverse changes in the financial or trading position of the Group since 30 June 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As set out in the Company's interim report 2014, the Company recorded a consolidated loss of HK\$10.7 million for the six month interim period ended 31 December 2013 (the "2013 Interim Period") as compared to a consolidated profit of approximately HK\$1.5 million for the corresponding six month period ended 31 December 2012 (the "2012 Interim Period"). This was mainly due to (i) a decrease in other income (compared to approximately HK\$1.34 million other income recorded for the 2012 Interim Period); (ii) no increase in fair value of investment properties (compared to approximately HK\$5.27 million net increase in fair value of investment properties reported for the 2012 Interim Period); and (iii) an increase in administration expenses due to additional corporate exercises undertaken during the 2013 Interim Period.

As stated in the Company's Interim Report 2014, in June 2012, the Company's wholly-owned subsidiary, Quorum Electronics (Shenzhen) Company Limited (盈聯多科技企業(深圳)有限公司) ("Quorum Electronics") entered into a binding purchase and sale agreement for the disposal ("Disposal") of an investment property located at Part of Level 1 & whole floor of Level 2, No. 42 Zhan Qian Road, Zi Pian B Qu, Guangdong Province, the PRC (the "Property") (having a net book value of HK\$8.4 million as at 30 June 2011) at a consideration of RMB16.5 million (equivalent to approximately HK\$20.16 million in June 2012). Due to the failure to agree the additional amount of tax payable as a result of the calculation based on the value of the Property at RMB22,000 per square metre (i.e. such that the total value of the Property assessed by the PRC tax bureau amounted to RMB24.2 million (approximately HK\$30.3 million)), the purchaser filed an application to the court for an order that the Disposal be completed and the additional tax to be payable by Quorum Electronics. In response, Quorum Electronics filed a counter claim against the purchaser for non-payment of the additional tax or in the alternative, the unconditional cancellation of the transaction. The court delivered a judgment dated 27 November 2013 ordering Quorum Electronics to proceed with the purchase and sale agreement (the "Judgment"), and Quorum Electronics filed an appeal application against the Judgment. On 11 May 2014, the upper court upheld the decision in the Judgement, and Quorum Electronics was required to proceed with the purchase and sale agreement. The Company will take into account this decision and any resulting appropriate provision or potential loss of approximately HK\$11 million (which has been disclosed in note 25 to the consolidated financial statements of the Company for the year ended 30 June 2013, contained in the annual report 2013 of the Company) will (subject to the advice of the Company's lawyers) be recognised in the consolidated financial statements of the Group for the year ended 30 June 2014.

As set out in the Company's announcement dated 14 July 2014, based on the management accounts as well as operational data available to the management which has not been audited or reviewed by the Company's auditors, the preliminary assessment by the management of the Company is that the loss for the Group for the year ended 30 June 2014 is expected to increase significantly as compared to a loss of approximately HK\$2.3 million for the year ended 30 June 2013. The increase in loss was mainly due to (i) net estimated imputed interest expense (impairment loss) on a promissory note receivable from a jointly controlled entity of approximately HK\$22.8 million [non-cash item] and (ii) estimated decrease in fair value of investment properties of approximately HK\$30.0 million [non-cash item] for the year ended 30 June 2014 as compared to the interest income on promissory note receivable from a jointly controlled entity of approximately HK\$11.9 million [non-cash item] and the increase in the corresponding fair values of investment properties of approximately HK\$18.1 million [non-cash item] for the year ended 30 June 2013.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company (the “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets”) prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Rights Issue on the basis of one Rights Share for every two Shares held on the Record Date at HK\$0.139 per Rights Share on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2013.

The Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2013, as extracted from the published interim report of the Company for the six months ended 31 December 2013, with adjustments described below.

	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2013 (Note i) HK\$'000	Estimated net proceeds from the Rights Issue (Note ii) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after completion of the Rights Issue HK\$'000	Unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company immediately after completion of the Rights Issue (Note iii) HK\$	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company immediately after completion of the Rights Issue (Note iv) HK\$
Rights Issue of 579,886,913 Rights Shares (Note i)	474,192	77,004	551,196	0.41	0.32

Notes:

- (i) *The unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2013 has been extracted from the published interim report of the Group for the six months ended 31 December 2013.*
- (ii) *The estimated net proceeds from the Rights Issue is calculated based on 579,886,913 Rights Shares to be issued at the Subscription Price of HK\$0.139 per Rights Share, after deduction of the estimated related expenses of approximately HK\$3,600,000.*
- (iii) *The number of shares used for the calculation of the unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 31 December 2013 is based on 1,159,773,826 shares of the Company in issue as at 31 December 2013.*
- (iv) *The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 31 December 2013 immediately after completion of the Rights Issue is based on 1,739,660,739 Shares which represent the sum of 1,159,773,826 Shares in issue as at 31 December 2013 and the Record Date given that there has been no further issue of new Shares or repurchase of Shares from the date of Announcement to the Record Date and 579,886,913 Rights Shares expected to be issued on the completion of the Rights Issue.*
- (v) *No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2013.*

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company's reporting accountant, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

**2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF
ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**



MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.cn

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS**

25 July 2014

The Directors
Applied Development Holdings Limited
Unit 3402-3, 34th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets of Applied Development Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only (the "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets"). The Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets consists of the pro forma consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2013 and the related notes as set out in Appendix II to the prospectus issued by the Company dated 25 July 2014 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets are described in Appendix II to the Prospectus.

The Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets has been compiled by the directors to illustrate the impact of the proposed rights issue of shares of the Company (the "Rights Issue") on the Group's consolidated net tangible assets attributable to owners of the Company as at 31 December 2013 as if the Rights Issue had taken place on 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the six months ended 31 December 2013, on which no audit or review report has been published.

Directors' responsibilities for the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets

The directors are responsible for compiling the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets.

The purpose of Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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 Prospectus 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 in this Prospectus misleading.

2. SHARE CAPITAL

(a) Share capital

The authorised and issued capital of the Company immediately following completion of the Rights Issue are expected to be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>6,000,000,000</u>	Shares of HK\$0.01 each	<u>60,000,000</u>
<i>Issued and fully paid:</i>		
As at the Latest Practicable Date		
<u>1,159,773,826</u>	Shares	<u>11,597,738.26</u>
Shares to be issued pursuant to the Rights Issue		
<u>579,886,913</u>	Shares	<u>5,798,869.13</u>
Shares in issue immediately upon completion of the Rights Issue		
<u>1,739,660,739</u>	Shares	<u>17,396,607.39</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange.

There are no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

(b) Shares Under Option

No share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS**(a) Directors' interests in the securities of the Company and its associated corporation**

Other than any interest or deemed interest in Rights Shares which are the subject of the Undertaking, as at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange; or (ii) pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") to be notified to the Company and the Stock Exchange are as follows:

(i) Interests in the shares or underlying Shares

Name of Director	Beneficially owned	Number of Shares		Approximate % of issued Shares
		Held by controlled corporation	Total	
Mr. Hung	492,117,701	75,022,883 ^{Note}	567,140,584	48.90%
Hung Kai Mau, Marcus	2,960,000	–	2,960,000	0.26%
Ng Kit Ling	10,000	–	10,000	0.00%

Note:

These shares were held by the following companies:

- (a) 44,362,883 Shares are held by Malcolm Trading, the entire issued share capital of which is beneficially owned by Mr. Hung. Mr. Hung is a director of Malcolm Trading.
- (b) 30,660,000 Shares are held by Jaytime, the entire issued share capital of which is beneficially owned by Mr. Hung. Mr. Hung is a director of Jaytime.

As at the Latest Practicable Date, none of the Directors were interested in any share options granted under the share option scheme of the Company adopted on 15 November 2012.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange; or (ii) pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Directors' interests in service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (i) which (including both continuous and fixed term contracts) had been entered into or amended within six months prior to the date of publication of the Announcement; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

(c) Substantial Shareholders' interests

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% 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 members of the Group or held any option in respect of such capital.

4. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

5. DIRECTORS' INTEREST IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2013, the date to which the latest published audited consolidated financial statements of the Company were made up.

6. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by the members of the Group within the two years immediately preceding the date of this Prospectus and which is or may be material:

- (a) Subscription agreement dated 16 April 2013 between the Company and Mr. Hung in relation to the subscription by Mr. Hung of, and pursuant to which Mr. Hung subscribed for, convertible bonds due 2018 in the aggregate principal amount of HK\$31.08 million.

As announced by the Company on 23 December 2013, 148,000,000 Shares were allotted and issued to Mr. Hung upon full conversion of the convertible bonds due 2018.

- (b) Loan agreement dated 24 June 2014 between the Company and Get Nice Finance Company Limited in relation the grant of an unsecured loan of HK\$10 million from Get Nice Finance Company Limited, at an interest rate of 12% per annum, for a term of three months.

7. LITIGATION

Save as disclosed below and in the section headed “E. Material Adverse Change” in Appendix I to this Prospectus, as at the Latest Practicable Date, no member of the Group was engaged in any litigation of material importance nor was there any litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

(a) High Court Miscellaneous Proceedings No. 243 and 522/2011

During January and February 2011, Ms. Wong Kar Gee, Mimi (“Ms. Wong”), a former non-executive Director, who retired on 14 January 2011, commenced actions to bring the Company and a subsidiary of the Company as intervening parties to the matrimonial proceedings between Ms. Wong and Mr. Hung. On 7 July 2011, Ms. Wong lodged a statement of claim to the High Court of Hong Kong (the “High Court”) against the Company and the subsidiary for a declaration that certain investment properties, which have been included in the Group’s consolidated financial statements, are actually held by the subsidiary as a trustee for Ms. Wong and an order for the taking of accounts or quantification of equitable compensation amongst certain involved parties (the “Claims”). On 5 August 2011, the Company and the subsidiary filed defence and counterclaims against Ms. Wong for vacant possession of those investment properties and unpaid licence fees for remaining at the investment properties until the recovery of possession of the investment properties by the Company and the subsidiary (the “Counterclaims”).

On 4 May 2012, Ms. Wong conceded on the Claims against the Group and also on the Counterclaims against her. Accordingly, the High Court made the orders and judgement that the Claims were dismissed with costs payable by Ms. Wong to the Group on an indemnity basis. A declaration that the investment properties belonged to the Group was also granted. Besides, Ms. Wong was ordered to deliver up vacant possession of the investment properties and pay mesne profits for her period of occupation. On 11 June 2012, Ms. Wong returned the possession of the investment properties to the Group.

The Group is in the process of taking appropriate steps to recover the legal costs of the Group in respect of the Claims and the Counterclaims from Ms. Wong, which has been recorded as legal costs recoverable in the amount of HK\$22,213,000 in the audited financial statements of the Group for the year ended 30 June 2013.

(b) The Eastern Caribbean Supreme Court Virgin Islands Civil Appeal (Claim No. BVIHCV No. 11/f 2013 2012/0135)

In December 2012, Applied Enterprises Limited, a wholly owned subsidiary of the Company (“Applied Enterprises”) commenced legal proceeding in the High Court of the BVI (the “BVI High Court”) and filed (i) a claim against InterIsle Holdings Limited (“InterIsle”) and relevant parties for the transfer of over 30% interest in Quorum Island (BVI) Limited (“Quorum”) to Applied Enterprises (the “Transfer Claim”) and (ii) a claim against Quorum for the non-payment of the promissory note in the principal amount of US\$22 million (approximately HK\$171.6 million). In response, InterIsle filed its application for stay of the Transfer Claim and sought an order for the Transfer Claim to be dealt with by way of arbitration proceedings. The BVI High Court granted the application for stay in favour of InterIsle and ordered that the parties should commence arbitration to determine the substantive outcome of the Transfer Claim. Following the decision of the BVI High Court, Applied Enterprises applied to the Court of Appeal of the BVI (the “BVI Court of Appeal”) to appeal the decision of the BVI High Court. On 1 May 2014, the BVI Court of Appeal made public its decision to dismiss Applied Enterprises’ appeal against InterIsle and maintain the decision of the BVI High Court which granted the application for stay in favour of InterIsle and ordered that the parties should commence the arbitration to determine the substantive outcome of the Transfer Claim. Applied Enterprises applied for leave to appeal the decision of the BVI Court of Appeal. As at the Latest Practicable Date, the Company has been informed that the application has been set for hearing at the next sitting of the BVI Court of Appeal in Tortola in September 2014.

8. EXPERT’S QUALIFICATION AND CONSENT

The following are the qualifications of the expert who has given the opinions and advice contained in this Prospectus:

Name	Qualification
Mazars CPA Limited (“Mazars”)	Certified Public Accountants

Mazars has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Mazars:

- (i) was not beneficially interested in the share capital of any member of the Group;
- (ii) did not 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; and
- (iii) did not have any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2013 (being the date to which the latest published audited accounts of the Group were made up).

9. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	Units 3402-3, 34th Floor China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Authorised representatives	Mr. Hung Kai Mau, Marcus Ms. Ng Kit Ling
Company Secretary	Ms. Ng Kit Ling
Legal advisers to the Company	As to Hong Kong law: Reed Smith Richards Butler 20th Floor, Alexandra House, 18 Chater Road Central Hong Kong As to Bermuda law: Conyers Dill & Pearman Room 2901, One Exchange Square 8 Connaught Place, Central Hong Kong
Auditor	Mazars CPA Limited Certified Public Accountants 42nd Floor, Central Plaza 18 Harbour Road, Wan Chai Hong Kong
Principal share registrar	MUFG Fund Services (Bermuda) Limited (previously known as Butterfield Fulcrum Group (Bermuda) Limited) 26 Burnaby Street Hamilton HM 11 Bermuda

Branch share registrar and
transfer office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

The Bank of East Asia, Limited
18/F., 10 Des Voeux Road Central,
Hong Kong

Nanyang Commercial Bank, Ltd.
2/F., 151 Des Voeux Road Central,
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central,
Hong Kong

Underwriter

Get Nice Securities Limited

10. PARTICULARS OF DIRECTORS

Name

Address

Executive Directors

Mr. Hung Kin Sang, Raymond

2A, No. 23, Repulse Bay Road,
Repulse Bay, Hong Kong

Mr. Hung Kai Mau, Marcus

Block B, 11/F., Pearl Gardens,
No. 7 Conduit Road, Hong Kong

Ms. Ng Kit Ling

Flat E, 14/F., Block 15, Sceneway Garden,
Lam Tin, Kowloon, Hong Kong

Independent Non-executive Directors

Mr. Lun Tsan Kau

Room 602, Block 1,
Lane 229 Fu Gui East Road,
Chang Ning District, Shanghai, PRC

Mr. Su Ru Jia

Room 1601, Building A,
No. 1100 Lian Hua Road,
An Ju Yuan, Fu Tian Area, Shenzhen, PRC

Mr. Lo Yun Tai

Flat A, 27/F., Block 18,
Hong Kong Gold Coast, 1 Castle Peak Road,
Tuen Mun, N.T., Hong Kong

Mr. Chan Ming Fai, Terence

Room 2705, Block A, Hong Wah Court,
Lam Tin, Kowloon, Hong Kong

11. BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS**Executive Directors**

Mr. Hung Kin Sang, Raymond (“Mr. Hung”), aged 65, Managing Director, holds a Bachelor of Science degree in Electrical Engineering from the University of Illinois and a Master in Business Administration degree from the University of Chicago, United States of America. Mr. Hung founded the Group in April 1976, and he has been actively involved in the Group’s development over the last 38 years. Mr. Hung has overall responsibility for the activities of the Company. Mr. Hung is the father of Mr. Marcus Hung.

Mr. Hung Kai Mau, Marcus (“Mr. Marcus Hung”), aged 31, Chairman, holds a Bachelor’s degree in Economics and a Master in Business Administration degree, both from University of Chicago, United States of America. He joined the Company in 2005. He is principally responsible for the overall management and business of the Group. Mr. Marcus Hung is the son of Mr. Hung.

Ms. Ng Kit Ling (“Ms. Ng”), aged 49, executive Director, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and she holds a Master Degree in Accountancy from the Hong Kong Polytechnic University. She joined the Group in 2005 and immediately prior to her appointment as an executive Director, Ms. Ng was the Financial Controller and Company Secretary of the Company. She has over 28 years of experience in finance and accounting matters of companies listed in Hong Kong. Ms. Ng is also the Company Secretary of the Company.

Mr. Hung and Mr. Marcus Hung are also directors of the following members of the Group: Applied Enterprises Ltd, Applied Hong Kong Properties Ltd, Applied International Holdings Ltd, Applied Investment (Asia) Ltd; AppliedLand Ltd, Applied Mission Ltd; Applied Properties Ltd, Applied Secretaries Management Ltd, Applied Toys Ltd, Beachside Investments Ltd, Beef Island Golf & Country Club Resort Ltd, Data Pen Ltd, Dragon Gainer Investment Ltd, Playa Grande Development Holdings Inc, Playa Grande Golf & Country Club Resort Ltd, Playa Grande Hot Spring Development Holdings, Inc, Playa Grande Management Company Limited Inc, Quorum Island (BVI) Ltd and Severn Villa Ltd.

Ms. Ng. is also a director of the following members of the Group: Applied Enterprises Ltd, Playa Grande Development Holdings Inc, Playa Grande Hot Spring Development Holdings, Inc and Playa Grande Management Company Limited Inc.

Independent Non-executive Directors

Mr. Lun Tsan Kau, aged 59, independent non-executive Director, holds a Master of Science degree in Electronics and Computer Science from the University of California at Berkeley, United States of America and a Master of Business Administration degree from the University of Hong Kong. He first joined the Group in 1997 when he was appointed as an independent non-executive director of a former subsidiary of the Company, until 2004. He has over 34 years experience in investment, manufacturing, banking and real estate development. He was previously affiliated with several international banks, an electronics manufacturing company, a US based investment holding company and a HK public listed real estate development company. He joined the Company as an Independent Non-executive Director in September 2000.

Mr. Su Ru Jia, aged 64, independent non-executive Director, holds a Master in Business Administration degree from International East-West University of America (美國國際東西方大學) and graduated from Nanjing Senior Army Command College (南京高級陸軍指揮學院) and South China Normal University (華南師範大學) in 1983 and 1989 respectively. He has been appointed as a Committee Member of The Communist Party of Committee of Shenzhen (中共深圳市委委員), a Committee Member of Political of Association Shenzhen Committee (政協深圳市委員會常委) and a Deputy Director of Main Branch of Economic Technology Committee (經濟科技委員會正局級副主任) since 2007. Before that, he was appointed as a Deputy Chief of Shenzhen Trade Development Council (深圳貿易發展局副局長) and a Secretary of The Communist Party of Committee of Shenzhen Unit Work Committee (中共深圳市委駐深圳單位工作委員會書記) in 1998 and 2001 respectively. He has worked for the Community State of the PRC for over 44 years. During the course of working for the military of PRC, he was promoted from Deputy Squad Leader to the Commander of the military, he achieved three third-class merit rewards and was praised for his excellent performance over 20 times. He has extensive and professional experience in the economic and property development of PRC, especially management and administration in the PRC State Committee. He joined the Company as an Independent Non-executive Director in February 2010.

Mr. Lo Yun Tai, aged 68, independent non-executive Director, holds a Bachelor of Science degree in Mechanical Engineering from National Taiwan University. He has over 44 years extensive experience in corporate management and operation of his chain of private companies of which he is the sole-proprietor. He is also familiar with the business, operations and development of the Company and its subsidiaries acquired during the time when he was an Independent Non-executive Director of the Company from 1998 to 2009. He rejoined the Company as an Independent Non-executive Director in December 2011.

Mr. Chan Ming Fai, Terence, aged 44, independent non-executive Director, holds a Master in Business Administration degree in E-Commerce from University of Ballarat, Australia and a Bachelor of Business Administration degree in Economics from Hong Kong Baptist University. He is also a member of the Association of Chartered Certified Accountants. He has been working as a financial consultant since 2008, before which he was a director of Zap Financial Consultancy Ltd, providing financial consulting or advisory services. He has over 21 years of experience in financial consulting, corporate restructuring, mergers and acquisitions, raising capital and financing, strategic financial planning, especially assisting over 100 Chinese enterprises in the obtaining of leasing finance and trade finance through banks in Hong Kong and the PRC. He rejoined the Company as an Independent Non-executive Director in December 2011.

12. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission (on the basis that 579,886,913 Rights Shares are issued), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$3.6 million, which are payable by the Company.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents, together with the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this Appendix, have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of the Companies Ordinance.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Units 3402-3, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this Prospectus up to and including Friday, 8 August 2014:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 30 June 2013;
- (c) the accountants’ report issued by Mazars CPA Limited in connection with the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix II to this Prospectus;
- (d) the consent letter issued by Mazars CPA Limited referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (e) a copy of the material contracts referred to in the paragraph headed “Material Contracts” in this appendix.

15. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Ng Kit Ling.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is situated at Units 3402-3, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (c) The Company’s branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text of this Prospectus shall prevail over the Chinese text thereof.