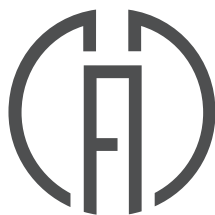


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## **APPLIED DEVELOPMENT HOLDINGS LIMITED**

**實力建業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 519)**

### **(1) DISCLOSEABLE TRANSACTION IN RELATION TO CAPITAL INJECTION INTO**

**NANJING EASTERN SENIOR LIVING SERVICE CO., LTD.\***

**AND**

### **(2) CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60 OF THE LISTING RULES**

#### **THE CAPITAL INJECTION AGREEMENT, THE LEASE AGREEMENT AND THE SUPPLEMENTAL LEASE AGREEMENT**

The Board is pleased to announce that on 15 June 2018 (after trading hours), Applied Development Nanjing, an indirect wholly-owned subsidiary of the Company (as subscriber), the Target Company, Yincheng and Jiangsu Xinyuan entered into the Capital Injection Agreement, pursuant to which Applied Development Nanjing will inject RMB110,000,000 into the Target Company. Upon completion of the Capital Injection, the Target Company will become a non-wholly owned subsidiary of the Company and the registered capital of the Target Company will be increased from RMB60,000,000 to RMB120,000,000 which will be held as to 50% by Applied Development Nanjing and 50% by the Existing Shareholders.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Capital Injection are more than 5% but less than 25%, the Capital Injection constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Capital Injection is subject to the reporting and announcement requirements under the Listing Rules.

Nanjing Zhongshan Yincheng is a direct subsidiary of the Target Company and therefore upon completion of the Capital Injection, it will become an indirect subsidiary of the Company. Since Nanjing Zhongshan Asset is interested in 35% equity interest of Nanjing Zhongshan Yincheng, it is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

As such, the Lease Agreement and the Supplemental Lease Agreement entered into between Nanjing Zhongshan Yincheng and Nanjing Zhongshan Asset will constitute continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the aforesaid continuing connected transactions. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the aforesaid agreements.

## **THE CAPITAL INJECTION AGREEMENT**

**Date:** 15 June 2018

### **Parties:**

- (a) Applied Development Nanjing (as subscriber), an indirect wholly-owned subsidiary of the Company;
- (b) Yincheng and Jiangsu Xinyuan, the Independent Third Parties; and
- (c) the Target Company.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Yincheng, Jiangsu Xinyuan and their ultimate beneficial owners are the Independent Third Parties of the Company and its connected persons.

### **Capital Injection:**

Prior to the Capital Injection, the Target Company was held as to 55%, 25% and 20% by Yincheng, Jiangsu Ruihua and Jiangsu Xinyuan respectively.

Pursuant to the Capital Injection Agreement, Applied Development Nanjing has agreed to inject a sum of RMB110,000,000 into the Target Company, of which RMB60,000,000 and RMB50,000,000 will be recognised as the registered capital and capital reserve of the Target Company respectively. Upon completion of the Capital Injection, the Target Company will become a non-wholly owned subsidiary of the Company and the registered capital of the Target Company will be increased from RMB60,000,000 to RMB120,000,000 which will be held as to 50% by the Company and as to 50% by the Existing Shareholders.

The amount of the Capital Injection being RMB110,000,000 has been arrived after arm's length negotiations amongst the parties involved with reference to (i) the unaudited consolidated net assets value in the amount of RMB55,109,000 of the Target Company as at 30 April 2018, (ii) the business prospect of senior service and provision of nursing housing to senior in Nanjing and (iii) the agreed premium of the business prospects and the synergies of the Group and the Target Group after the Capital Injection. The Capital Injection will be settled by the internal resources of the Group.

### **Conditions Precedent:**

The Capital Injection is subject to the fulfillment of the following obligations and conditions of the parties pursuant to the Capital Injection Agreement:

- (i) the passing of the shareholders' resolutions of the Target Company (including Applied Development Nanjing, Yincheng and Jiangsu Xinyuan) regarding the Capital Injection and the articles of association of the Target Company having been duly amended for the purpose of the Capital Injection;
- (ii) no material adverse change on the Target Company having occurred since the date of the Capital Injection Agreement; and
- (iii) no events having occurred that would result in any breach of any of the representations and warranties of the Capital Injection Agreement by Yincheng, Jiangsu Xinyuan and the Target Company.

## **Completion of the Capital Injection**

Capital Injection will be made within 15 business days after the fulfillment of the conditions precedent.

The Target Company shall, within 5 business days after the Capital Injection, complete the following obligations under the Capital Injection Agreement:

- (i) provide Applied Development Nanjing a capital contribution certificate executed by the legal representative of the Target Company, showing inter alia the contribution amount made by Applied Development Nanjing and its shareholdings; and
- (ii) register Applied Development Nanjing as the shareholder of the Target Company, and the change of board of directors, supervisor and memorandum of articles of association of the Target Company with the AIC, and provide Applied Development Nanjing the original and copy of the business licence of the Target Company within 5 business days upon receipt of the licence.

The completion of the Capital Injection will be considered as having taken place after the registration with the AIC in respect of the Capital Injection having been completed.

In the event that completion does not take place within 30 days after the effective date of the Capital Injection Agreement due to reasons which is not caused by Applied Development Nanjing, Applied Development Nanjing is entitled to terminate the Capital Injection Agreement.

## **Composition of the board of directors, supervisors and general manager of the Target Company**

Pursuant to the Capital Injection Agreement, the board of directors of the Target Company shall comprise of 5 directors of which, 3 directors shall be nominated by Applied Development Nanjing, and 1 director shall be nominated by each of Yincheng and Jiangsu Xinyuan. The Target Company shall have 2 supervisors of which, 1 supervisor shall be appointed by each of Applied Development Nanjing and Yincheng and the board of directors of the Target Company shall appoint 1 general manager for the Target Company. The daily operation of the Target Company shall be managed by the board of directors of the Target Company.

## **INFORMATION OF THE PARTIES TO THE CAPITAL INJECTION AGREEMENT**

The Company is an investment holding company and the Group is principally engaged in resort and property development, property investment and investment holding.

Applied Development Nanjing is a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company principally engaging in business consultancy and projects management.

Yincheng is a company incorporated in the PRC with limited liability and a substantial shareholder of the Target Company prior to the Capital Injection. Yincheng is principally engaged in properties development, sales and leasing and investment.

The Target Company is a company incorporated in the PRC on 22 October 2015 and is principally engaged in services and provision of nursing housing to senior. As at the date of this announcement, the registered capital of the Target Company is RMB60,000,000.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

The following are the unaudited consolidated financial information of the Target Company together with its subsidiaries as at and for the year ended 31 December 2017 and 2016 respectively:

	<b>As at and for the year ended 31 December 2017 RMB approximately</b>	<b>As at and for the year ended 31 December 2016 RMB approximately</b>
Loss before and after taxation	8,659,000	4,371,000

The unaudited consolidated total assets and net assets of the Target Company as at 30 April 2018 were RMB64,275,000 and RMB55,109,000 respectively.

## REASONS FOR AND BENEFITS FOR THE CAPITAL INJECTION AGREEMENT

According to Jiangsu Province's "Thirteenth Five-Year Plan" Pension Service Development Plan\* 《江蘇省“十三五”養老服務業發展規劃》，Jiangsu province is one of the provinces in China facing the increase of ageing population. By the end of 2015, the province's elderly population aged over 60 reached 16,480,000, accounting for 21.36% of the household population, which was 5% higher than the national average in China, of which 11,150,000 were older than 65 years of age, accounting for 14.45% of population in the province; and the number of elderly people over 80 years old is 2,549,600, accounting for 15.47% of the total number of elderly people.

Currently, the elderly population in Jiangsu province is characterized by a large base, rapid growth, high age of life, and a high proportion of empty nests and disability. It is estimated that by 2020, the province's elderly population aged over 60 will reach 19,500,000, which will account for 25% of the total population and will exceed 30% by 2030.

The entering into of the Capital Injection Agreement enables the Group to gain control in the Target Company and diversify its business. The Target Group is principally engaged in senior services and provision of nursing housing to senior. The Target Company was incorporated on 22 October 2015 and started the first joint venture nursing house in September 2017. As at 30 April 2018, the Target Group operated 5 nursing housing in Nanjing with 526 beds for leasing to senior. With reference to the existing business plan of the Target Group, additional 9 nursing housing will be launched with additional 2,265 beds for leasing.

The Group continues to engage in its principal business of property investment, resort and property development and investment holding. The senior services and nursing housing business of the Target Group can cooperate with the existing business of the Group, which establishes value added component and complementary basis for the development of its overall business.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios in respect of the Capital Injection exceed 5% but are below 25%, the Capital Injection constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the notification and announcement requirements.

None of the Directors has a material interest in the transactions under the Capital Injection Agreement and therefore, no Director was required to abstain from voting on the relevant resolution(s) in the Board meeting to approve the Capital Injection Agreement.

## **THE LEASE AGREEMENT AND THE SUPPLEMENTAL LEASE AGREEMENT**

Prior to the date of execution of the Capital Injection Agreement, Nanjing Zhongshan Asset entered into the Lease Agreement and the Supplemental Lease Agreement with Nanjing Zhongshan Yincheng. The principal terms of the Lease Agreement and the Supplemental Lease Agreement are set out below:

<b>Date:</b>	12 December 2017 (as supplemented and amended by the Supplemental Lease Agreement dated 13 December 2017)
<b>Landlord:</b>	Nanjing Zhongshan Asset
<b>Tenant:</b>	Nanjing Zhongshan Yincheng
<b>Premises:</b>	Jubaoshan Service Facilities No. 8 (聚寶山配套服務設施八) located at Jubaoshan Park, No. 96 Xuanwu Avenue, Nanjing, PRC
<b>Gross floor area:</b>	5683.91 square metres
<b>Use:</b>	The Premises is being used and will continue to be used by Nanjing Zhongshan Yincheng for providing community services and relevant healthcare services to senior
<b>Term:</b>	10 years from 12 December 2017 to 31 October 2027 (both days inclusive)
<b>Rent Free Period:</b>	3 months (from 12 December 2017 to 11 March 2018)
<b>Rent:</b>	Pursuant to the Lease Agreement and the Supplemental Lease Agreement, Nanjing Zhongshan Yincheng shall pay to Nanjing Zhongshan Asset the following:

<b>Period</b>	<b>Rent in RMB</b>
12 March 2018 – 11 September 2018	1,348,507
12 September 2018 – 11 March 2019	1,348,508
12 March 2019 – 11 September 2019	1,348,507
12 September 2019 – 11 March 2020	1,348,508
12 March 2020 – 11 September 2020	1,348,507
12 September 2020 – 11 March 2021	1,348,508
12 March 2021 – 11 September 2021	1,388,963
12 September 2021 – 11 March 2022	1,388,963
12 March 2022 – 11 September 2022	1,430,632
12 September 2022 – 11 March 2023	1,430,632
12 March 2023 – 11 September 2023	1,473,550
12 September 2023 – 11 March 2024	1,473,551
12 March 2024 – 11 September 2024	1,517,757
12 September 2024 – 11 March 2025	1,517,757
12 March 2025 – 11 September 2025	1,563,290
12 September 2025 – 11 March 2026	1,563,290
12 March 2026 – 11 September 2026	1,610,188
12 September 2026 – 11 March 2027	1,610,189
12 March 2027 – 31 October 2027	2,126,508

## **REASONS AND BENEFITS FOR THE LEASE AGREEMENT AND SUPPLEMENTAL LEASE AGREEMENT**

Nanjing Zhongshan Asset is an investment holding company and its subsidiaries are principally engaged in property investments, property development and hospitality in the PRC and overseas. The Premises is held by Nanjing Zhongshan Asset as investment property in the PRC for rental income.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the terms of the Lease Agreement and Supplemental Lease Agreement were arrived at after arm's length negotiation and the rent was determined with reference to and taking into account (i) the prevailing market rental of similar properties and business nature in nearby locations; (ii) the location of the Premises; and (iii) the expected inflation rate in future.



The Directors (including their respective independent non-executive directors) considered that the terms of the Lease Agreement and the Supplemental Lease Agreement are fair and reasonable and the transaction therein is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Nanjing Zhongshan Yincheng is a direct subsidiary of the Target Company and therefore upon completion of the Capital Injection, it will become an indirect subsidiary of the Company. Since Nanjing Zhongshan Asset is interested in 35% equity interest of Nanjing Zhongshan Yincheng, it is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

As such, the Lease Agreement and the Supplemental Lease Agreement will constitute continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the aforesaid continuing connected transactions. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the aforesaid agreements.

## **DEFINITIONS**

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

“AIC”	the State Administration for Industry & Commerce of the PRC or its competent local branch
“Applied Development Nanjing”	Applied Development (Nanjing) Corporate Management Co., Ltd.* (實力建業(南京)企業管理有限公司), a company incorporated in the PRC with limited liability and also the indirect subsidiary of the Company
“associate(s)”, “connected person(s)” and “controlling shareholder”	have the meanings as ascribed to them under the Listing Rules
“Board”	the board of Directors
“Capital Injection”	the capital injection of RMB110,000,000 into the Target Company to be made by Applied Development Nanjing pursuant to the terms and conditions of the Capital Injection Agreement
“Capital Injection Agreement”	the agreement dated 15 June 2018 entered into between Applied Development Nanjing as subscriber, the Target Company, Yincheng and Jiangsu Xinyuan in relation to the Capital Injection

“Company”	Applied Development Holdings Limited (實力建業集團有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 519)
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	Yincheng, Jiangsu Ruihua and Jiangsu Xinyuan
“Group”	the Company and its subsidiaries prior to the Capital Injection
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	meaning prescribed under the Listing Rules
“Jiangsu Ruihua”	Jiangsu Ruihua Investment Holding Group Company Limited* (江蘇瑞華投資控股集團有限公司), a company incorporated in the PRC with limited liability and also the substantial shareholder of the Company and the Target Company
“Jiangsu Xinyuan”	Jiangsu Xinyuan Industrial Investment Co., Ltd.* (江蘇新苑實業投資有限公司), a company incorporated in the PRC with limited liability
“Lease Agreement”	the lease agreement dated 12 December 2017 entered into between Nanjing Zhongshan Asset and Nanjing Zhongshan Yincheng
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Nanjing Zhongshan Asset”	Nanjing Zhongshan Asset Management Group Limited* (南京鍾山資產經營管理集團有限公司), a company incorporated in the PRC with limited liability
“Nanjing Zhongshan Yincheng”	Nanjing Zhongshan Yincheng Senior Product Development Company Limited* (南京鍾山銀城養老產業發展有限公司), a company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China, which for the purposes of this announcement only (unless otherwise indicated) excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Premises”	Jubaoshan Service Facilities No. 8 (聚寶山配套服務設施八) which is situated at Jubaoshan Park, No. 96 Xuanwu Avenue, Nanjing, PRC



“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	The shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Lease Agreement”	the supplemental lease agreement dated 13 December 2017 entered into between Nanjing Zhongshan Asset and Nanjing Zhongshan Yincheng
“Target Company”	Nanjing Eastern Senior Living Service Co., Ltd.* (南京東方頤年養老服務有限公司), a company incorporated in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“Yincheng”	Yincheng Real Estate Group Co., Ltd. (銀城地產集團股份有限公司), a company incorporated in the PRC with limited liability and the substantial shareholder of the Target Company
“%”	per cent.

\* *The English name is a translation of its Chinese name and is included in this announcement for identification purposes only*

By Order of the Board  
**Applied Development Holdings Limited**  
**Yao Wei Rong**  
*Chairman and Executive Director*

Hong Kong, 15 June 2018

*As at the date of this announcement, the Executive Directors are Mr. Yao Wei Rong (Chairman), Mr. Yuen Chi Ping (Chief Executive Officer) and Ms. Ng Kit Ling; the Non-executive Director is Mr. Guo Shun Gen and the Independent Non-executive Directors are Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin.*

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