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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)

DISCLOSEABLE TRANSACTION – DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF GENIUS WISE INTERNATIONAL LIMITED AND ASSIGNMENT OF LOAN

THE DISPOSAL

The Board is pleased to announce that on 29 November 2017 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share and the Sale Loan, at a total cash consideration of HK\$52,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

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* For identification purpose only

THE AGREEMENT

The principle terms of the Agreement are as follows:

Date

29 November 2017 (after trading hours)

Parties

- Vendor : Advantage Performance Limited, a wholly-owned subsidiary of the Company
- Purchaser : Platinum Ocean Consultancy Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Asset to be disposed of

The Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share and the Sale Loan free from all encumbrances.

As at the date of this announcement, the Sale Share represents the entire issued share capital in the Target Company, and the outstanding principal amount of the Sale Loan is HK\$50,856,000. The major asset of the Target Group is the Property which is directly held by the Target Subsidiary, which in turn is directly wholly owned by the Target Company.

Consideration

The total consideration payable by the Purchaser for the Sale Share and the Sale Loan is HK\$52,000,000, of which:

- (i) HK\$1,144,000 shall be the consideration for the Sale Share; and
- (ii) HK\$50,856,000 shall be the consideration for the Sale Loan.

The total consideration for the Sale Share and Sale Loan shall be payable by the Purchaser to the Vendor in cash in the following manner:

- (i) a deposit in the sum of HK\$5,200,000 shall be paid by the Purchaser to the Vendor upon signing of the Agreement; and
- (ii) the balance of the consideration in the sum of HK\$46,800,000 shall be paid by the Purchaser to the Vendor upon Completion.

The consideration for the Disposal was determined after arm's length negotiations between the Vendor and the Purchaser taking into account (i) the valuation of the Property of approximately HK\$52,000,000 as at 31 October 2017 subject to a tenancy expiring in September 2019 by an independent valuer adopting market approach; and (ii) the net asset value of the Target Group of approximately HK\$1,020,000 as at 31 October 2017.

Condition precedent

Completion is conditional upon the Vendor having obtained all necessary approvals and consents in respect of the Agreement and the transactions contemplated thereunder.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to hold any interest in the Target Group, the Target Company will cease to be a subsidiary of the Company, and the Group would not retain any interests in the Property. Pursuant to the Agreement, upon Completion, the Vendor will execute the Sale Loan Assignment pursuant to which the Vendor will transfer and assign the Sale Loan to the Purchaser.

INFORMATION ON THE VENDOR AND THE GROUP

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

The Vendor is a company incorporated in the British Virgin Islands and is a direct wholly-owned subsidiary of the Company which engages in investment holding.

INFORMATION ON THE TARGET GROUP

The Target Company is a property investment holding company incorporated in the British Virgin Islands with limited liability and is indirectly wholly owned by the Company through the Vendor, as at the date of this announcement. The major asset of the Target Group is the Property situated at Unit 3316, 33rd Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. The Property is directly held by the Target Subsidiary, which in turn is directly wholly owned by the Target Company. The Property is a commercial property, with a gross floor area of approximately 2,062 square feet and is currently leased out with rental agreed at HK\$129,000 per month (exclusive of rates, management fees and all other outgoings) for a term up to 30 September 2019.

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

	For the year ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit (loss) before taxation	6,515	(6,170)
Profit (loss) after taxation	<u>6,515</u>	<u>(6,170)</u>

The audited net asset value of the Target Group (including the Sale Loan) as at 30 June 2017 amounted to approximately HK\$222,000.

The total carrying amount of the Property was HK\$52,000,000 as at 30 June 2017. Based on the valuation prepared by an independent valuer using the market approach, the market value of the Property was HK\$52,000,000 as at 31 October 2017 subject to a tenancy expiring in September 2019.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Following the Completion, the Company will no longer be interested in the Target Group or the Property.

Based on the total consideration for the Disposal of HK\$52,000,000 and (i) the carrying value of the Property of approximately HK\$52,000,000 as at 31 October 2017; (ii) the net liabilities of the other assets and liabilities (i.e. not including the carrying amount of the Property and the Sale Loan of approximately HK\$50,856,000) of the Target Group of approximately HK\$124,000 as at 31 October 2017; and (iii) the related expenses of approximately HK\$520,000, it is expected that, upon Completion, for illustrative purpose, an unaudited gain before taxation of approximately HK\$500,000 will be recognised from the Disposal.

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

The net proceeds from the Disposal (after deducting the expenses directly related to the Disposal) are estimated to be approximately HK\$51,480,000. The Group intends to apply the net proceeds from the Disposal as follows:

- approximately HK\$36,400,000 for the repayment of bank borrowings and release of mortgage of the Property; and
- approximately HK\$15,080,000 for working capital of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company and the Group is principally engaged in resort and property development, property investment and investment holding. The Property was acquired by the Company as investment property at a total consideration of HK\$47,148,000 in early 2016. The Directors believe that the total consideration of HK\$52,000,000 for the Disposal will provide a satisfactory return to the Company, as compared to the carrying value of the Property of approximately HK\$48,000,000 as at 30 June 2016. After the Disposal, the Group will continue to explore appropriate investment opportunities with higher return.

On the basis of the foregoing, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 29 November 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“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)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	the second Business Day after the fulfillment of the condition precedent, or such other date as the Vendor and the Purchaser may agree in writing (but no later than 28 February 2018), being the date on which Completion occurs in accordance with the Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share and the Sale Loan to the Purchaser pursuant to the terms and conditions of the Agreement

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	Unit 3316, 33rd Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong
“Purchaser”	Platinum Ocean Consultancy Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Loan”	a shareholder’s loan advanced by the Vendor to the Target Company for the purpose of acquiring the Property with an outstanding principal amount of HK\$50,856,000 as at the date of this announcement
“Sale Loan Assignment”	a deed of assignment of loan to be executed by the Vendor and the Purchaser upon Completion pursuant to which the Vendor will transfer and assign the Sale Loan to the Purchaser
“Sale Share”	1 ordinary share of US\$1.00 each of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Genius Wise International Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor as at the date of this announcement
“Target Group”	the Target Company and the Target Subsidiary
“Target Subsidiary”	Applied Hong Kong Properties Ltd., a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Target Company as at the date of this announcement

“Vendor” Advantage Performance Limited, a company incorporated under the laws of the British Virgin Islands and a direct wholly owned subsidiary of the Company as at the date of this announcement

“%” per cent.

By Order of the Board
Applied Development Holdings Limited
Wang Bo
Chairman and Non-executive Director

Hong Kong, 29 November 2017

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

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