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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF INTEREST IN A FUND

SUBSCRIPTION OF INTERESTS IN THE FUND

On 14 June 2018, the Subscriber (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with the Fund (acting by the General Partner) pursuant to which the Subscriber has conditionally agreed to make an investment of up to HK\$600,000,000 (with a minimum commitment of HK\$200,000,000) to the Fund, representing up to approximately 30% of the Proposed Fund Size. Following the acceptance of the Subscription Agreement by the General Partner and the fulfilment of the Conditions in accordance with the terms of the Subscription Agreement, the Subscriber will be admitted as a Limited Partner to the Fund by entering into the Limited Partnership Agreement.

The investment strategy of the Fund is to focus on investments equities of private and public companies in certain industries inside or outside of China including, but not limited to, Telecommunications Media and Technology, macro-health, high-end equipment manufacturing, energy-saving environmental protection, and new materials.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Subscription based on the maximum investment amount of HK\$600,000,000 exceed 25% but are all less than 100%, the Subscription constitutes a major transaction for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further, as at the date of this announcement, the General Partner is a wholly-owned subsidiary of HK Ruihua, a substantial shareholder of the Company, holding approximately 22.35% of the Company's issued share capital. The General Partner is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription and entering into of the Limited Partnership Agreement with the General Partner also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened to consider and, if thought fit, approve the Subscription Agreement, the Limited Partnership Agreement and the transactions contemplated thereunder.

The Company expects that a circular containing, among other things, (i) further details of the Subscription and the Limited Partnership Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Subscription and the Limited Partnership Agreement; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription and the Limited Partnership Agreement; and (iv) the notice of the SGM and forms of proxy, will be despatched to the Shareholders on or before 9 July 2018.

WARNING

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE SUBSCRIPTION IS SUBJECT TO CONDITIONS BEING SATISFIED, AND CONSEQUENTLY THE SUBSCRIPTION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

INTRODUCTION

The Board is pleased to announce that on 14 June 2018 (after trading hours), the Subscriber (an indirect wholly-owned subsidiary of the Company) entered into the Subscription Agreement with the Fund (acting by the General Partner) pursuant to which the Subscriber has conditionally agreed to make an investment of up to HK\$600,000,000 (with a minimum commitment of HK\$200,000,000) to the Fund and representing approximately 30% of the Proposed Fund Size. Following the acceptance of the Subscription Agreement by the General Partner and the fulfilment of the Conditions in accordance with the terms of the Subscription Agreement, the Subscriber will be admitted as a Limited Partner to the Fund by entering into the Limited Partnership Agreement.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are as follows:

- Date : 14 June 2018
- Subscriber : Applied Investment (Asia) Limited, a wholly-owned subsidiary of the Company
- Other party : the Fund (acting by the General Partner)
- Subscriber's Commitment : the Subscriber has conditionally agreed to become a Limited Partner of the Fund and invest up to HK\$600,000,000 (with a minimum commitment of HK\$200,000,000) in the Fund.

The commitment of the Subscriber was determined after arm's length negotiations between the General Partner and the Subscriber with reference to (i) the prospect of the Fund; (ii) financial resources available to the Group; and (iii) the expected duration of the Fund. The Subscriber's commitment will be funded by internal resources of the Group.

Conditions Precedent to the Subscription Agreement

The Fund's obligations under the Subscription Agreement and any obligations of the Subscriber to pay or contribute to the Fund under the Subscription Agreement and the Limited Partnership Agreement shall be conditional upon the following Conditions being satisfied:

- (1) the passing of resolution(s) by the Independent Shareholders at the SGM approving the execution of the Subscription Agreement, the Limited Partnership Agreement and the transactions contemplated thereunder;
- (2) the Company having obtained all necessary approvals and consents in relation to the execution of the Subscription Agreement, the Limited Partnership Agreement and the transactions contemplated thereunder;
- (3) the representations and warranties of the Subscriber contained in the Subscription Agreement being true and correct at Closing; and
- (4) all proceedings in connection with the transactions contemplated under the Subscription Agreement and all documents and instruments incidental to such transactions shall be satisfactory in substance and form to the General Partner, and the Fund shall have received all such counterpart originals or certified or other copies of such documents as the General Partner may request.

The General Partner may in its absolute discretion at any time waive in writing any of the above Conditions (other than Conditions (1) and (2) above which cannot be waived). If any of the Conditions above shall not have been fulfilled (or waived) prior to 30 September 2018 (or such other date as may be agreed by the parties in writing), then the Subscriber shall not be bound to proceed with the Subscription.

LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Fund as set out in the Limited Partnership Agreement are as follows:

Fund : Ruihua International M&A Fund LP, a Cayman Islands exempted limited partnership acting by the General Partner.

Principal Purpose and Investment Policy : The investment strategy of the Fund is to focus on investments equities of private and public companies in certain industries inside or outside of China including, but not limited to, Telecommunications Media and Technology, macro-health, high-end equipment manufacturing, energy-saving environmental protection and new materials.

The Fund shall not (i) enter into any guarantee transactions or counter guarantee transactions; (ii) invest in real estate or entities whose principal business is real estate; (iii) invest in any entities that would result in the Fund being subject to unlimited liability for such entities' debts and liabilities; and (iv) invest in any investment fund management companies.

General Partner : Cayman Ruihua Investment Management Limited. Further details of the General Partner is set out in the subparagraph headed "The General Partner" under the paragraph headed "Information of the Group and the Parties to the Subscription" below.

Proposed Fund Size : The Fund seeks to raise an aggregate commitment of HK\$2 billion. The General Partner shall commit in aggregate an amount equivalent to at least 1% of the aggregate capital commitment of the Fund.

As at the date of this announcement, apart from the Initial Limited Partner who will withdraw as a Limited Partner immediately following the admission of one or more person(s) as Limited Partner, the Subscriber will be the first Limited Partner who has conditionally committed to invest in the Fund. As at the date of this announcement, the Subscriber has agreed to invest up to HK\$600,000,000 (with a minimum commitment of HK\$200,000,000) to the Fund.

The General Partner has confirmed to the Subscriber that save as to the amount of commitment, the terms of investment in the Fund by other Limited Partners are expected to be substantially the same or no less favourable to the Subscriber than those set out in the Limited Partnership Agreement).

Closing : It is expected that the Closing will occur on the date on which the last of the Conditions is satisfied or waived (if applicable), with staged closings for subsequent commitments by other Limited Partners to be held at the General Partner's discretion; provided that the final closing will occur no later than twelve months from the Closing.

Investment Period : The period from the Closing and expiring on the third anniversary of such date, unless extended by the General Partner upon its reasonable consideration and assessment of the investments under the Fund (the "**Investment Period**").

- Drawdown : The General Partner shall provide each Partner with a written notice of each drawdown at least 10 Business Days prior to the date on which such drawdown is due and payable until the end of the Investment Period. From and after the end of the Investment Period, the General Partner may issue drawdown notices only with respect to the payment of expenses and the funding of existing investments. Each drawdown will be denominated in Hong Kong Dollars. The first drawdown shall be equal to 40% of the full amount of each Limited Partner's commitment (and in the case of the Subscriber, this will be 40% of the minimum commitment amount).
- Commencement and Duration of the Fund : The Fund was established on 27 September 2017 and shall continue until the expiry of five (5) years from the Closing, and the term of the Fund may be extended with the consent of the General Partner up to a maximum of 5 years depending on the circumstances.
- Management of the Fund : The business of the Fund shall be carried on and managed by the General Partner. The Limited Partners may be consulted by the General Partner on the conduct of the Fund's business but shall not otherwise take part in the management of the Fund's business and shall have no power to bind the Fund.
- Management Fee : The General Partner will be paid a management fee equal to 2% per annum of the aggregate capital commitment from all Limited Partners. The management fee will be payable once each year in advance out of the assets of the Fund, commencing on the first drawdown date and thereafter on 1 January each subsequent year.
- Removal of General Partner : The General Partner may be removed as the general partner of the Fund at any time within 60 days after a determination by a court of competent jurisdiction that the General Partner has engaged in fraud or a felony having a material adverse effect on the Fund or its assets and with the written election of 100% in Interest of the Limited Partners.
- Distributions : Subject to applicable laws, the General Partner may determine to make distributions during the life of the Fund. During the Investment Period, the General Partner has the discretion to determine whether to make distributions to the Partners, or to re-invest into other portfolio companies. To the extent that distributable cash is not retained by the Fund at the absolute discretion of the General Partner, after the payment of the administration fee, partnership expenses and taxes in the following order of priority:

- (i) First, 100% to such Partner until the cumulative amount distributed to such Partner equals 100% of the then-effective capital commitment of such Partner plus an amount equal to the per annum rate of interest announced by the Hongkong and Shanghai Banking Corporation Limited at its Hong Kong main office from time to time as its “prime rate” on such capital commitment at the time of payment; and
- (ii) Second, 80% to all Limited Partners (including the General Partner in respect of its Fund Interests acquired as a Limited Partner) in proportion to their sharing percentages and 20% to the General Partner in its capacity as general partner of the Fund as the carried interest.

Upon the termination or winding-up of the Fund due to expiry of the term of the Fund, at the determination of the General Partner, the Fund is otherwise terminated or wound-up with the approval by 66% and 2/3 in Interest or other termination event specified in the Limited Partnership Agreement, any remaining assets of the Fund (after paying off creditors as provided by law) shall also be distributed based on the above order of priority. Except in limited circumstances provided for in the Limited Partnership Agreement, no Partner shall have the right to withdraw capital from the Fund or receive any distribution of or return on such Partner’s capital contribution.

- Transferability of the Interest : No assignment, sale, charge, mortgage, pledge, transfer or disposal of all or any part of a Limited Partner’s Interest can be carried out without the prior written consent of the General Partner.
- Investment Consultant : The Fund may engage an investment consultant in the future. The Company will comply with applicable disclosure requirements under the Listing Rules, if any, in respect of such appointment.

INFORMATION OF THE GROUP AND THE PARTIES TO THE SUBSCRIPTION

The Group and the Subscriber

The Company is an investment holding company and the Group is principally engaged in resort and property development, property investment and investment holding. The Subscriber is an investment holding company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

General Partner

The General Partner is a company incorporated in the Cayman Islands with limited liability and is the general partner of the Fund, responsible for management of the Fund. Its overall responsibility includes the management, control and operation of the businesses and affairs of the Fund. The General Partner will make all decisions on behalf of the Fund with respect to the assets of the Fund. Jiangsu Ruihua (the indirect holding company of the General Partner) and its subsidiaries have extensive experience in management of funds and their performance has been highly accredited by third parties.

As at the date of this announcement, the General Partner is a wholly-owned subsidiary of HK Ruihua, a substantial shareholder of the Company holding approximately 22.35% of the Company's share capital.

Initial Limited Partner

The Initial Limited Partner is a natural person, who is a director of the General Partner and HK Ruihua. Pursuant to the Limited Partnership Agreement, immediately upon one or more additional persons becoming Limited Partners, the Initial Limited Partner shall withdraw as a Limited Partner and shall accordingly have no further interest or obligation of any kind whatsoever as a Partner of the Fund.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

With reference to the investment objective of the Fund and the extensive experience and skills of Jiangsu Ruihua and its subsidiaries, the Board believes the Company will be able to capture investment opportunities and diversify the Group's investment portfolio with prospect of a higher return. The Subscription is also in alignment with the Group's business plan on carrying out financial investments and enables the Group to implement its strategy for long term return of investment of the Company.

No director is regarded to have any material interest in the Subscription Agreement, the Limited Partnership Agreement and the transactions contemplated thereunder. Notwithstanding the above, to avoid a perception of conflict of interest, each of Mr. Yao Wei Rong and Mr. Guo Shun Gen, being employees of affiliates of Jiangsu Ruihua and who are Directors, had voluntarily abstained from voting on the board resolutions to approve the Subscription Agreement, the Limited Partnership Agreement and the transactions contemplated thereunder. With reference to (i) the terms of other private equity funds generally in the market (including the rates of management fee and distribution mechanism); and (ii) the confirmation from the General Partner that the other Limited Partners shall be subject to the substantially the same terms under the Limited Partnership Agreement, the Board (excluding (a) the independent non-executive Directors whose views will be given after having taking into account the advice of the Independent Financial Advisor and set out in the circular to be published by the Company and (b) each of Mr. Yao Wei Rong and Mr. Guo Shun Gen who although are in support of the Company entering into the Subscription Agreement and the Limited Partnership Agreement but voluntarily abstained from voting on the board resolution for the reasons described above) considers that the terms of the Subscription Agreement and the Limited Partnership Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Subscription based on the maximum investment amount of HK\$600,000,000 exceed 25% but are all less than 100%, the Subscription constitutes a major transaction for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further, as at the date of this announcement, the General Partner is a wholly-owned subsidiary of HK Ruihua, a substantial shareholder of the Company holding approximately 22.35% of the Company's issued share capital, the General Partner is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription and entering into of the Limited Partnership Agreement with the General Partner also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

SGM

The SGM will be convened to consider and, if thought fit, approve the Subscription Agreement, the Limited Partnership Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from the General Partner and its associates, no Shareholder has material interest in the Subscription contemplated under the Subscription Agreement and the Limited Partnership Agreement as at the date of this announcement. Therefore, the General partner and its associates shall abstain from voting at the resolution(s) considering and approving the Subscription Agreement, the Limited Partnership Agreement and the transactions contemplated thereunder at the SGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the resolution(s) in relation to the approval of the Subscription and the Limited Partnership Agreement at the SGM.

FORMATION OF INDEPENDENT BOARD COMMITTEE AND DESPATCH OF CIRCULAR

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the Limited Partnership Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote (to the extent applicable), taking into account the recommendation of the Independent Financial Adviser. The Company has appointed Pulsar Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription.

The Company expects that a circular containing, among other things, (i) further details of the Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Subscription; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription; and (iv) the notice of the SGM and forms of proxy, will be despatched to the Shareholders on or before 9 July 2018.

WARNING

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE SUBSCRIPTION IS SUBJECT TO CONDITIONS BEING SATISFIED, AND CONSEQUENTLY THE SUBSCRIPTION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meaning:

“Board”	the board of Directors
“Business Day(s)”	any day other than a Saturday or Sunday or bank holiday in which banks in Hong Kong are ordinarily open for business
“Closing”	the date of the closing of the issue and sale of the Interests and the execution and delivery of the Limited Partnership Agreement
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conditions”	means the conditions precedent to the Subscription Agreement as set out in this announcement

“Director(s)”	director(s) of the Company
“Fund”	Ruihua International M&A Fund LP, an exempted limited partnership in the Cayman Islands established in accordance with the Exempted Limited Partnership Law (as amended, modified or re-enacted from time to time) of the Cayman Islands
“General Partner”	Cayman Ruihua Investment Management Limited, a company incorporated in the Cayman Islands with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Ruihua”	Hongkong Ruihua Investment Management Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Subscription
“Independent Financial Adviser”	Pulsar Capital Limited, a corporation licensed to conduct type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Independent Shareholders”	Shareholders other than Shareholders who have material interest in the Subscription
“Initial Limited Partner”	a Limited Partner who has agreed to withdraw from the Fund upon one or more additional persons becoming Limited Partners, and which is a natural person and a director of the General Partner and HK Ruihua
“Interest”	interest in the Fund
“Jiangsu Ruihua”	江蘇瑞華投資控股集團有限公司 (Jiangsu Ruihua Investment Development Co., Limited*), a company established in the People’s Republic of China, and the indirect holding company of the General Partner
“Limited Partner(s)”	the limited partner(s) of the Fund, including the Subscriber
“Limited Partnership Agreement”	the amended and restated exempted limited partnership agreement dated 14 June 2018 and entered into by and among the General Partner, the Limited Partner(s) and the Initial Limited Partner

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partner(s)”	collectively, the General Partner and the Limited Partner(s), each a “Partner”
“Proposed Fund Size”	HK\$2 billion, being the aggregate amount which is expected to be raised from the Partner(s)
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Subscription
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Applied Investment (Asia) Limited, a company incorporated in the Hong Kong and a wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Interest by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 June 2018 entered into between the Subscriber and the Fund (acting by its General Partner)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

By order of the Board of
Applied Development Holdings Limited
Yuen Chi Ping
Executive Director & Chief Executive Officer

Hong Kong, 14 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.

* *For identification purpose only*

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