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APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(incorporated in Bermuda with limited liability)

(Stock code: 519)

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS

On 16 April 2013 (after trading hours), the Company entered into the Subscription Agreement with Mr. Hung, pursuant to which, subject to fulfillment of conditions precedent, Mr. Hung has agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$31,080,000 in cash.

The initial Conversion Price of HK\$0.21 per Conversion Share represents (i) a discount of approximately 17.65% to the closing price of HK\$0.255 per Share on 16 April 2013, the date of the Subscription Agreement, and (ii) a discount of approximately 17.06% to the average closing price of HK\$0.2532 per Share as quoted on the Stock Exchange for the five trading days up to and including the date of the Subscription Agreement.

Upon full conversion of the principal amount of the Convertible Bonds of HK\$31,080,000 at the initial Conversion Price, the Convertible Bonds will be convertible into 148,000,000 Shares, representing approximately 17.67% of the existing issued share capital of the Company and approximately 15.01% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds. The net proceeds (after deducting estimated expenses) from the issue of the Convertible Bonds is expected to be approximately HK\$30.6 million and the net price per Conversion Share is approximately HK\$0.207. It is intended that the net proceeds will be applied as general working capital of the Company.

As at the date of this announcement, Mr. Hung is interested in 419,140,584 Shares, representing approximately 50.03% of the issued share capital of the Company. Mr. Hung is a substantial shareholder (as defined under the Listing Rules) of the Company and its

executive Director and therefore a connected person (as defined under the Listing Rules) of the Company. The Subscription Agreement and the transactions contemplated thereunder therefore constitute connected transaction of the Company under the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements.

Accordingly, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM by way of a poll. Mr. Hung and his associates are required to abstain from voting for the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders and the notice of the SGM, will be despatched to the Shareholders on or about 6 May 2013.

SUBSCRIPTION AGREEMENT

Date: 16 April 2013 (after trading hours)

Issuer: The Company

Subscriber: Mr. Hung

Subject to the fulfillment of the conditions set out below, Mr. Hung has agreed to subscribe for the Convertible Bonds with the principal amount of HK\$31,080,000 in cash. The Conversion Shares under the Subscription Agreement will be issued under the specific mandate to be sought at the SGM.

As at the date of this announcement, Mr. Hung is interested in 419,140,584 Shares, representing approximately 50.03% of the issued share capital of the Company. Mr. Hung is a substantial shareholder (as defined under the Listing Rules) of the Company and its executive Director and therefore a connected person (as defined under the Listing Rules) of the Company.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon:

- (a) the passing of a resolution by the Shareholders who are permitted to vote under the Listing Rules to approve the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares at the SGM in accordance with the Listing Rules; and

- (b) the Listing Committee having granted the listing of, and permission to deal in, the Conversion Shares.

In the event that the conditions have not been fulfilled on or before the Long Stop Date or such later date as may be agreed between the Company and Mr. Hung, the Subscription Agreement will cease and terminate and the parties will be released from all obligations thereunder, save for liabilities for any antecedent breaches.

Conversion price

The initial Conversion Price of HK\$0.21 per Share represents (i) a discount of approximately 17.65% to the closing price of HK\$0.255 per Share on 16 April 2013, the date of the Subscription Agreement, and (ii) a discount of approximately 17.06% to the average closing price of HK\$0.2532 per Share as quoted on the Stock Exchange for the five trading days up to and including the date of the Subscription Agreement.

The Conversion Price will be subject to adjustment for subdivision or consolidation of Shares, issue of any Shares credited as fully paid by way of capitalization of profits or reserves (other than Shares issued in lieu of a cash dividend), capital distribution to holders of Shares, rights issues and issues of securities at a price less than 90% of the then market price per Share provided that the Conversion Price shall not be less than the par value of the Share. The initial Conversion Price was determined after arm's length negotiation between the parties.

Upon full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 148,000,000 Shares, representing approximately 17.67% of the existing issued share capital of the Company and approximately 15.01% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds were determined after arm's length negotiations between the parties and are summarized below:

Principal amount:	The aggregate principal amount of the Convertible Bonds is HK\$31,080,000.
Interest:	The Convertible Bonds bear no interest.
Maturity Date:	Five years after the first issue of the Convertible Bonds.
Status:	The Convertible Bonds constitute direct, unconditional and unsecured obligations of the Company and will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. No application will be made for a

listing of the Convertible Bonds in any jurisdiction.

Transferability:

The Convertible Bonds may be assigned or transferred to any third party upon not less than 10 Business Days' written notification to the Company by the Bondholder provided that any assignment or transfer shall be subject to all applicable laws and regulations (including but not limited to the Listing Rules) and approval of the Shareholders (if required).

Conversion Rights:

A Bondholder have the right to convert in whole or in part the principal amount of the Convertible Bonds at any time from its date of issue up to and including the date which is 7 days prior to the Maturity Date in amounts of not less than HK\$500,000 on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be converted.

No Conversion Shares will be issued (i) unless the Bondholder confirms that he will comply with the Takeovers Code in respect of any acquisition of voting rights in the Company upon the issue to him of the Conversion Shares; or (ii) if, upon Conversion, the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares cannot be maintained.

Ranking:

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue.

Redemption:

The Company has no obligation to redeem the Convertible Bonds prior to the Maturity Date unless an event of default as provided in the conditions of the Convertible Bonds has occurred prior to the Maturity Date and, if capable of being remedied, was not remedied within 30 Business Days after a default redemption notice is given by the Bondholder. An event of default include:

- (i) the listing of the Shares on the Stock Exchange ceases other than resulting from (a) an offer made to the Shareholders to acquire all or any proportion of the Shares becoming unconditional or (b) a suspension at the request of either the Company or the Stock Exchange pending the release of an announcement and/or for the purpose of complying with any relevant requirements of the Listing Rules or the Takeovers Code;
- (ii) the Company defaults in performance or observance

or compliance with any of its other obligations set out in the conditions of the Convertible Bonds;

- (iii) the Company fails to pay the principal amount when due or the Company fails to issue the Conversion Shares in accordance with the conditions of the Convertible Bonds;
- (iv) the occurrence of any event so as to render unlawful the performance by the Company of any of its material obligations contained in the conditions of the Convertible Bonds;
- (v) any indebtedness of the Company equals or exceeds HK\$10,000,000 becomes due and payable prior to its stated maturity by reason of any default, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period;
- (vi) an encumbrancer takes possession or a receiver is appointed of the whole or any part of the undertaking or assets of the Company;
- (vii) the Company becomes insolvent or is unable to pay its debts as they mature;
- (viii) an order is made or an effective resolution is passed for winding-up of the Company; and
- (ix) seizure is enforced upon all or a material part of the assets of the Company.

The Convertible Bonds will be redeemed by the Company at 100% of the principal amount of the Convertible Bonds on the Maturity Date. The Company or any of its subsidiaries may also elect to repurchase the Convertible Bonds at any price as may be agreed between the Company or such subsidiary and the Bondholder.

COMPLETION OF ISSUE AND SUBSCRIPTION OF THE CONVERTIBLE BONDS

Completion is to take place on the third Business Day after the conditions precedent stated in above section headed “Conditions Precedent” have been fulfilled or such later time and date as the Company and Mr. Hung may agree in writing.

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS

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

The Directors consider that the issue of the Convertible Bonds represents an opportunity for the Company to raise additional immediate fund under the current global financial conditions

at relatively low cost with strong support from its largest Shareholder. After taking into account that the Convertible Bonds bear no interest, the Directors consider that issue of the Convertible Bonds is an appropriate means of immediate fund raising for the Company.

The Directors are of opinion that the terms of the Convertible Bonds, which were arrived at after arm's length negotiation between the Company and Mr. Hung, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds (after deducting estimated expenses) from the issue of the Convertible Bonds is expected to be approximately HK\$30.6 million and the net price per Conversion Share is approximately HK\$0.207. It is intended that the net proceeds will be applied as general working capital of the Company.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 837,773,826 Shares in issue. The shareholding structure of the Company as at (i) the date of this announcement; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price are as follows:

Shareholders	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Hung (Note 2)	419,140,584 (Note 1)	50.030	567,140,584	57.533
Hung Kai Mau, Marcus	2,960,000	0.353	2,960,000	0.300
Ng Kit Ling	10,000	0.001	10,000	0.001
Public	<u>415,663,242</u>	<u>49.616</u>	<u>415,663,242</u>	<u>42.166</u>
Total	<u>837,773,826</u>	<u>100.000</u>	<u>985,773,826</u>	<u>100.000</u>

Notes:

1. Mr. Hung is interested in 419,140,584 Shares in the manner set out as follows:
 - (a) 344,117,701 existing Shares are beneficially owned and held in Mr. Hung's own name.
 - (b) 44,362,883 Shares are held by Malcolm Trading Inc., the entire issued shares of which are beneficially owned by Mr. Hung.

- (c) 30,660,000 Shares are held by Jaytime Overseas Limited, the entire issued shares of which are beneficially owned by Mr. Hung.
2. Mr. Hung has confirmed to the Company that 9,310,056 Shares held in the name of Ms. Wong Kar Gee, Mimi were ordered to be transferred to him pursuant to a court order in August 2012. After the aggregation of such 9,310,056 Shares, Mr. Hung will be interested in (i) 428,450,640 Shares as at the date of this announcement (representing approximately 51.142% of the issued share capital of the Company) and (ii) 576,450,640 Shares immediately after full conversion of the Conversion Bonds (representing approximately 58.477% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares), and the shareholding of the “public” will be reduced accordingly.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee for the listing of and permission to deal in the Conversion Shares.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Hung is interested in 419,140,584 Shares, representing approximately 50.03% of the issued share capital of the Company. Mr. Hung is a substantial shareholder (as defined under the Listing Rules) of the Company and its executive Director and therefore a connected person (as defined under the Listing Rules) of the Company. The Subscription Agreement and the transactions contemplated thereunder therefore constitute connected transaction of the Company under the Listing Rules and are subject to reporting, announcement and independent shareholders’ approval requirements.

Accordingly, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM by way of a poll. Mr. Hung and his associates are required to abstain from voting for the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders and the notice of the SGM, will be despatched to the Shareholders on or about 6 May 2013.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors

“Bondholder(s)”	Holder(s) of the Convertible Bonds
“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“Company”	Applied Development Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Convertible Bonds”	the convertible bonds with the aggregate principal amount of HK\$31,080,000 to be issued by the Company pursuant to the Subscription Agreement
“Conversion Price”	HK\$0.21, being the initial price per Share at which the Convertible Bonds may be converted into Shares
“Conversion Share(s)”	the Share(s) to be issued by the Company upon exercise by the Bondholder of the conversion rights attaching to the Convertible Bonds
“Directors”	the directors of the Company from time to time
“Group”	the Company and its subsidiaries
“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 Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, all being the independent non-executive Directors of the Company
“Independent Shareholders”	Shareholders other than Mr. Hung and his associates
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2013 or such other date as may be agreed between the Company and Mr. Hung
“Maturity Date”	five years after the first issue of the Convertible Bonds
“Mr. Hung”	Mr. Raymond Hung Kin Sang, an executive Director and a substantial shareholder of the Company

“SGM”	the special general meeting of the Company to be convened and held to consider and approve the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 16 April 2013 entered into between the Company and Mr. Hung in relation to the subscription by Mr. Hung of the Convertible Bonds in the principal amount of HK\$31,080,000
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Applied Development Holdings Limited
Hung Kai Mau, Marcus
Chairman

Hong Kong, 16 April 2013

As at the date of this announcement, Mr. Hung Kin Sang, Raymond, Mr. Hung Kai Mau, Marcus and Ms. Ng Kit Ling are executive directors of the Company; Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence are independent non-executive directors of the Company.

** for identification purpose only*