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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)

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
SEVERN VILLA LIMITED
AND
RESUMPTION OF TRADING**

THE DISPOSAL

The Board is pleased to announce that on 27 January 2016, the Vendors (each a wholly owned subsidiary of the Company), the Purchaser, the Target (an indirect wholly owned subsidiary of the Company) and the Company entered into the Agreement, pursuant to which (i) the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares; and (ii) Applied Investment has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Loan, at a total consideration of HK\$636,800,000. The Company as guarantor has agreed to unconditionally and irrevocably guarantee to the Purchaser the due observance and performance by the Vendors of all the agreements, obligations, commitments and undertakings contained in the Agreement.

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 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As no Shareholder has any material interest in the Disposal and none of the Purchaser and its associates holds any Share as at the date of this announcement, no Shareholder is required to abstain from voting at the SGM to approve the Disposal. Millennium Capital Asia Limited, a substantial shareholder of the Company, has undertaken to vote in favour of the resolution(s) of the Shareholders to be proposed by the Company to approve the Agreement and the transactions contemplated thereunder.

* For identification purpose only

GENERAL

The SGM will be convened to consider and, if thought fit, to pass the resolution(s) to approve the Agreement and the transactions contemplated thereunder.

As more time is needed to prepare the relevant financial and other information to be included in the circular in accordance with the relevant requirements of the Listing Rules, a circular containing, among other things, further details of the Agreement and the transactions contemplated thereunder and a notice of the SGM, will be despatched by the Company to the Shareholders on or before 11 March 2016.

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

Under Rule 14.82 of the Listing Rules, if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Upon Completion, the Company's cash level will increase substantially. The Stock Exchange is of the view that the Company would become a cash company by virtue of Rule 14.82 of the Listing Rules upon Completion, such that unless such issue is resolved, the Company will not be regarded as suitable for listing and trading of its Shares will be suspended immediately upon Completion. If the Company becomes a cash company upon Completion, it may apply to the Stock Exchange to lift the suspension once it has a business suitable for listing, but the Stock Exchange will treat such application for lifting of the suspension as if it were a new listing application. The Stock Exchange reserves the right to cancel the listing of the Shares if such suspension continues for more than 12 months.

Under Rule 13.24 of the Listing Rules, an issuer shall carry out a sufficient level of operations or have sufficient assets to warrant the continued listing of the issuer's securities. The operations of the Company will diminish after Completion. The Stock Exchange is of the view that the Company would not have sufficient level of operation and would not have sufficient assets upon Completion, and unless such issue is resolved, trading of its Shares will be suspended immediately upon Completion.

In view of the abovementioned potential implications, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 27 January 2016, pending the release of an announcement in relation to a positive profit alert announcement and remained halted pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 February 2016.

The Board is pleased to announce that on 27 January 2016, the Vendors (each a wholly owned subsidiary of the Company), the Purchaser, the Target (an indirect wholly owned subsidiary of the Company) and the Company entered into the Agreement, pursuant to which (i) the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares; and (ii) Applied Investment has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Loan, at a total consideration of HK\$636,800,000. The Company as guarantor has agreed to unconditionally and irrevocably guarantee to the Purchaser the due observance and performance by the Vendors of all the agreements, obligations, commitments and undertakings contained in the Agreement.

THE AGREEMENT

The principle terms of the Agreement are as follows:

Date

27 January 2016

Parties

- Vendors : (i) Applied Investment (Asia) Limited, which is a wholly owned subsidiary of the Company, the legal and beneficial owner of 75,449 shares in the Target, representing approximately 99.999% of the entire issued share capital of the Target and the beneficial owner of 1 share in the Target, representing approximately 0.001% of the entire issued share capital of the Target; and
- (ii) Applied International Holdings Limited, which is a wholly owned subsidiary of the Company and the legal owner of 1 share in the Target, representing approximately 0.001% of the entire issued share capital of the Target held on trust for Applied Investment.
- Purchaser : Horoy Qianhai International Holdings Limited
- Vendors' Guarantor : the Company
- Target : Severn Villa Limited, an indirect wholly owned subsidiary of the Company and the legal and beneficial owner of the Properties.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Asset to be disposed of

The Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares free from all encumbrances.

Applied Investment has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Loan free from all encumbrances. As at the date of this announcement, the Sale Loan is approximately HK\$136,584,000.

Consideration

The total consideration payable by the Purchaser for the Sale Shares and the Sale Loan is HK\$636,800,000. The remaining balance following deduction of the outstanding amount of the Sale Loan as at the Completion Date shall be treated as the consideration for the Sale Shares.

The total consideration payable by the Purchaser for the Sale Shares and the Sale Loan is HK\$636,800,000, which has been/shall be satisfied in the following manner:

- (i) an initial deposit in the sum of HK\$35,000,000 (the “**Deposit**”) has been paid upon signing of the Agreement; and
- (ii) the balance of the consideration in the sum of HK\$601,800,000 shall be payable upon Completion.

The Deposit has been paid to the solicitors of the Vendors as stakeholder which shall be released to the Vendors at Completion.

The consideration for the Disposal was determined after arm’s length negotiations between the Vendors and the Purchaser with reference to, among other things, the recent transaction prices of comparable properties in nearby locations, the present property market condition and the nature of the transaction being a block sale of all the Properties to the Purchaser.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions:

- (i) the passing of the resolution(s) by the Shareholders at the SGM to be convened on or before 23 May 2016 to approve the Agreement and the transactions contemplated thereunder; and
- (ii) the Vendors having procured the Company to give and prove title to the Properties in accordance with Sections 13A and 13 of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong).

If any of the conditions has not been fulfilled (only condition (ii) above may be waived by the Purchaser) on or prior to 23 May 2016, the Purchaser shall be entitled to cancel the Agreement whereupon the Deposit (without interest) shall be returned by the solicitors of the Vendors to the Purchaser forthwith and neither the Vendors nor the Purchaser shall have any claim against the other or to enforce specific performance of the Agreement.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to hold any interest in the Target and the Target will cease to be a subsidiary of the Company, and the Group would not retain any interests in the Properties. Pursuant to the Agreement, upon Completion, (i) the Company will execute a tax indemnity deed in favour of the Purchaser for a period of one year from the Completion Date; and (ii) Applied Investment will execute the Sale Loan Assignment pursuant to which Applied Investment will transfer and assign the Sale Loan to the Purchaser.

The sale and purchase of the Sale Shares is arranged by a licensed real estate agent in Hong Kong, which is a third party independent of the Company and connected persons of the Company. Upon Completion, the Vendors shall pay an agent commission of HK\$22,000,000 to the real estate agent for its service rendered in relation to the Agreement.

INFORMATION ON THE VENDORS 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 Vendors are each a company incorporated in Hong Kong and is a wholly owned subsidiary of the Company which engages in investment holding.

INFORMATION ON THE TARGET

The Target is a property investment holding company incorporated in Hong Kong with limited liability and is wholly owned by the Company, through the Vendors, as at the date of this announcement. The major assets of the Target are the Properties, being four residential apartments, one roof area, one whole garden area and part of another garden area, and six parking spaces located at Severn Villa, No.3 Severn Road, Hong Kong. The Properties are luxurious apartments with gross floor area of approximately 1,570 square feet each and were acquired by the Group for investment purpose in 2001 at a total cost of approximately HK\$61,800,000. Currently two of the four apartments are leased to tenants with a total monthly rental of HK\$120,000 and the leases shall expire in April 2016 and August 2017 respectively. The remaining two apartments which are not leased out are vacant as at the date of this announcement.

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

	For the year ended 30 June	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit before taxation	(2,305)	19,149
Net (loss)/profit after taxation	(2,305)	19,149

The audited net asset value of the Target as at 30 June 2015 amounted to approximately HK\$114,962,000.

The total carrying amount of the Properties was HK\$231,000,000 as at 30 June 2014, HK\$251,000,000 as at 30 June 2015 and HK\$300,000,000 as at 31 December 2015.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in Hong Kong 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 owners are third parties independent of the Company and connected persons of the Company.

REASONS FOR THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Properties have been held by the Group for long term investment purpose since 2001. The value of the Properties has surged since its acquisition by the Group mainly due to the escalated property prices in Hong Kong, the prime location of the Properties and the recent refurbishments performed on the Properties. The Directors consider that the consideration for the Disposal has substantially reflected the long term investment potential of the Properties. Having considered the consideration offered by the Purchaser and the number of prospective purchasers for a block sale of all the Properties in the market is limited as the amount involved is large, the Board believes that the Disposal presents a good opportunity for the Group to realise its investment in the Properties at a fair market price and makes additional funding available for the Group to pursue other investments in relation to property/resort business with relatively higher returns, if and when such opportunities arise. The Board considers that the terms of the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Following the Disposal, the Company will no longer be interested in the Properties.

Based on the total consideration for the Disposal of HK\$636,800,000 less (i) the carrying value of the Properties of approximately HK\$300,000,000 as at 31 December 2015; (ii) the net amount of the other assets and liabilities (ie. not including the carrying amount of the Properties and the Sale Loan) of the Target of approximately HK\$737,000 as at 31 December 2015 and (iii) the related expenses of approximately HK\$23,500,000, it is expected that, upon Completion, for illustrative purpose, a substantial unaudited gain before taxation of approximately HK\$312,563,000 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 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\$613,300,000. The Group intends to apply the net proceeds from the Disposal as follows:

- (i) approximately HK\$62,000,000 for the repayment of bank borrowings and release of mortgage of the Properties;
- (ii) approximately HK\$450,000,000 for the Group's property/resort business for property/resort related projects to be undertaken by the Group within 12 months from the Completion;

- (iii) approximately HK\$50,000,000 for the Group's investment holding business for investments in corporate bonds and listed equity securities; and
- (iv) the remaining balance of approximately HK\$51,300,000 for general working capital of the Group and other attractive investment opportunities that may arise in future and are expected to bring substantial value to the Group.

Upon Completion, the Group will continue to be principally engaged in the resort and property development business, the property investment business and the investment holding business. In order to improve the performance of the Group, the Company is seeking to expand these business segments by looking for appropriate investment opportunities with the aim to bring satisfactory return to the Group and the Shareholders.

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 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As no Shareholder has any material interest in the Disposal and none of the Purchaser and its associates holds any Share as at the date of this announcement, no Shareholder is required to abstain from voting at the SGM to approve the Disposal. Millennium Capital Asia Limited, a substantial shareholder of the Company, has undertaken to vote in favour of the resolution(s) of the Shareholders to be proposed by the Company to approve the Agreement and the transactions contemplated thereunder.

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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 27 January 2016 entered into among the Vendors, the Purchaser, the Target and the Company in relation to the Disposal
“Applied International”	Applied International Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Applied Investment”	Applied Investment (Asia) Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“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”	within five Business Days after the fulfillment of the conditions precedent on which Completion takes place and in any event no later than 23 May 2016
“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 Shares 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
“Properties”	Flat A and B on 1st Floor, Flat B on 2nd Floor, Flat B on 3rd Floor and Roof B, the whole of Garden B, part of Garden A, and car parking spaces numbered 1-5 and 7 of Severn Villa, No.3 Severn Road, Hong Kong
“Purchaser”	Horoy Qianhai International Holdings Limited, a company incorporated in Hong Kong with limited liability
“Sale Loan”	a shareholder’s loan owing by the Target to Applied Investment as at the Completion Date
“Sale Loan Assignment”	a deed of assignment of loan to be executed by Applied Investment, the Purchaser and the Target upon Completion pursuant to which Applied Investment will transfer and assign the Sale Loan to the Purchaser
“Sale Shares”	75,450 ordinary shares of HK\$100 each of the Target, representing the entire issued share capital of the Target
“SGM”	the special general meeting of the Shareholders to be convened by the Company to consider and approve the Agreement and the transactions contemplated thereunder

“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”	Severn Villa Limited (formerly known as Incar Electronics Limited), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company as at the date of the Agreement and this announcement
“Vendors”	Applied Investment and Applied International
“%”	per cent.

By Order of the Board
Applied Development Holdings Limited
Wang Jingyu
Chairlady and Managing Director

Hong Kong, 16 February 2016

As at the date of this announcement, the Executive Directors are Ms. Wang Jingyu, Ms. Ng Kit Ling and Mr. Tsao Hoi Ho; the Independent Non-executive Directors are Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence.

** For identification purposes only*

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