THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Applied Development Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF WUXI SHENGYE HAIGANG JOINT STOCK COMPANY LIMITED* AND NOTICE OF SPECIAL GENERAL MEETING

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out from pages 4 to 15 of this circular.

A notice convening the SGM to be held at The Boardroom (Basement 2), The Wharney Guang Dong Hotel Hong Kong, 57 – 73 Lockhart Road, Wanchai, Hong Kong on Tuesday, 18 April 2017 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at Unit 1801, 18/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

*　　*for identification purpose only*

24 March 2017

CONTENTS

Page

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

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"business day(s)"	means a day other than a Saturday, Sunday or a public holiday in the PRC
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Wuxi Shengye Acquisition
"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
"Land"	the land located in 中國無錫市惠山新城天一新城天河路兩側 (the side of Tianhe Road, Tianyi New Town, Huishan New Town, Wuxi City, the PRC*), with land area of approximately 29,326 sq.m. held by Wuxi Shengye
"Latest Practicable Date"	22 March 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	means a date no later than nine (9) months from the date of the Share Transfer Agreement or such other date as may be agreed between the parties to the Share Transfer Agreement in writing
"Mr. Wang"	being an independent third party of the Company and its connected persons, and the owner of 1% equity interest in Wuxi Shengye as at the Latest Practicable Date
"National Trust"	National Trust* (國民信託有限公司), a limited company established under the laws of the PRC, directly holding 99% of the equity interests of Wuxi Shengye as at the Latest Practicable Date
"Post-completion Obligations"	has the meaning ascribed to it in the paragraph "Post-completion Obligations" under the section headed "The Share Transfer Agreement" in this circular
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Shareholders to be convened by the Company on Tuesday, 18 April 2017 to consider and approve, among others, the Share Transfer Agreement and the transactions contemplated thereunder
"Share Transfer Agreement"	the agreement dated 24 February 2017 entered into among the Company, National Trust, Mr. Wang and Wuxi Shengye in relation to the Wuxi Shengye Acquisition
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"sq.m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Valuer" or "AVISTA"	AVISTA Valuation Advisory Limited, an independent professional valuer
"Vendors"	collectively, National Trust and Mr. Wang, and each a Vendor
"Wuxi Shengye" or "Target Company"	Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司), a limited company established under the laws of the PRC and is owned as to 99% and 1% by National Trust and Mr. Wang respectively as at the Latest Practicable Date
"Wuxi Shengye Acquisition"	the proposed acquisition of the entire equity interest in Wuxi Shengye by the Company (or indirectly through its subsidiary) from the Vendors pursuant to the terms and conditions of the Share Transfer Agreement
"Wuxi Shengye Conditions"	the conditions precedent set out in the paragraph "Conditions Precedent" under the section headed "The Share Transfer Agreement" in this circular
"%"	per cent.

* *for identification purpose only*

APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

Non-executive Director:
Mr. Wang Bo *(Chairman)*

Executive Directors:
Mr. Yuen Chi Ping
(Chief Executive Officer)
Ms. Ng Kit Ling

Independent Non-executive Directors:
Mr. Lau Chi Keung
Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 1801, 18/F
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

24 March 2017

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF WUXI SHENGYE HAIGANG JOINT STOCK COMPANY LIMITED* AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 24 February 2017 in relation to the Wuxi Shengye Acquisition. It was announced that on 24 February 2017 (after trading hours), (i) the Company (as the purchaser), (ii) National Trust and Mr. Wang (each as a Vendor) and (iii) Wuxi Shengye entered into the Share Transfer Agreement, pursuant to which the Company (or indirectly through its subsidiary) has conditionally agreed to purchase, and National Trust and Mr. Wang have conditionally agreed to sell 99% and 1% equity interest in Wuxi Shengye respectively, at a total consideration of RMB234,000,000.

* *for identification purpose only*

The purpose of this circular is to provide you with, inter alia, details of the Wuxi Shengye Acquisition and other information in accordance with the Listing Rules.

THE SHARE TRANSFER AGREEMENT

Major terms of the Share Transfer Agreement are set out below.

Date

24 February 2017 (after trading hours)

Parties

(i) National Trust and Mr. Wang (each as a Vendor);

(ii) the Company (as the purchaser); and

(iii) Wuxi Shengye (as the Target Company).

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, each of National Trust and its ultimate beneficial owners and Mr. Wang and his associates are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Share Transfer Agreement, the Company (or indirectly through its subsidiary) has conditionally agreed to purchase, and National Trust and Mr. Wang have conditionally agreed to sell 99% and 1% equity interest in Wuxi Shengye respectively. As at the Latest Practicable Date, National Trust and Mr. Wang directly hold 99% and 1% equity interest in Wuxi Shengye respectively.

Upon completion of the Wuxi Shengye Acquisition, Wuxi Shengye will become a subsidiary of the Company.

The principal asset of Wuxi Shengye is the Land located in 中國無錫市惠山新城天一新城天河路兩側 (the side of Tianhe Road, Tianyi New Town, Huishan New Town, Wuxi City, the PRC*), with land area of approximately 29,326 sq.m.. The total gross floor area of the land is approximately 191,984 sq.m., and the land will be used for commercial purposes.

The Land is currently under development and expected to be completed in August 2018. The total estimated construction cost is approximately RMB783,487,000, of which RMB127,232,000 has been paid as at 31 December 2016. The development of the Land has been suspended since May 2016 due to shortage of capital. As Wuxi Shengye does not have any bank loans or borrowings from financial institutions as at the Latest Practicable Date, the Company intends to procure Wuxi Shengye to apply for bank loans after the completion of the

Wuxi Shengye Acquisition to resolve the capital shortage problem and resume the construction work. If the construction work could be resumed on or before May 2017, the construction will be completed in August 2018. The pre-sales permit for block 2 and 5 of the properties on the Land has been obtained by Wuxi Shengye. The Company is expected to launch the pre-sales of such properties after the completion of the Wuxi Shengye Acquisition to generate operational cashflow to support the further development of Wuxi Shengye. The Company intends to continue to engage the existing contractors for further development and construction of the properties on the Land based on their performance, price and quality of work. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the existing contractors and their ultimate beneficial owners are third parties independent of the Company and its connected persons, and will not become a connected person of the Company as a result of the Wuxi Shengye Acquisition.

As advised by the Company's PRC legal advisers in the PRC legal opinion, once the capital shortage problem is resolved, Wuxi Shengye will be eligible for resumption of construction work by filing the relevant report with the local construction bureau, and Wuxi Shengye has no legal or substantial restrictions in relation to the renewal of the construction permit as required for the resumption of construction work.

Furthermore, pursuant to the State-owned land use right grant contract entered into between Wuxi Shengye and the municipal bureau of land and resources in Wuxi City, the development of the properties on the Land shall be completed prior to 31 March 2017. In the event of failing to complete by 31 March 2017, Wuxi Shengye has the right to apply for postponement before 30 days of the contractual date of completion, while such application will be subject to the government's final approval, otherwise Wuxi Shengye will be charged a penalty of 0.1% per day of the total land premium. As at the Latest Practicable Date, Wuxi Shengye has not made the application for the postponement of the construction work, but is in the process of preparing the relevant documents and will make such application before 31 March 2017. Based on the communication between Wuxi Shengye and the local land department, it is unlikely that the local government will impose such penalties on the delay in construction by Wuxi Shengye, and the Vendors shall be responsible for any breach of their representations and warranties under the Share Transfer Agreement, which include the representations and warranties as to no penalties shall be imposed on the Target Company due to delay in completion of construction. Pursuant to the terms of the Share Transfer Agreement, the Company is entitled to terminate the Share Transfer Agreement and elects to not complete the Wuxi Shengye Acquisition without any liability to Wuxi Shengye and the Vendors under such circumstance, as well as the liquidated damage as detailed in the paragraph "Termination" under the section headed "The Share Transfer Agreement" in this circular.

In light of the above, the Board considers that the suspension of construction work will be properly resolved after the completion of the Wuxi Shengye Acquisition, and the Wuxi Shengye Acquisition is in the interest of the Company.

Consideration

Subject to the terms and conditions of the Share Transfer Agreement, the total consideration of RMB234,000,000 for the Wuxi Shengye Acquisition will be paid in cash to the relevant Vendor by installments in the following manner:

(1) as to RMB187,200,000, representing 80% of the total consideration for the Wuxi Shengye Acquisition (the "**First Installment**"), will be paid within five (5) business days after all of the Wuxi Shengye Conditions have been fulfilled or waived (as the case may be); and

(2) as to the balance of the total consideration, being RMB46,800,000, will be paid within five (5) business days upon fulfillment of all of the Post-completion Obligations.

The total consideration for the Wuxi Shengye Acquisition was determined after arm's length negotiations between the Company and the Vendors with reference to the net assets value of Wuxi Shengye as at 31 December 2016 and the value of the principal asset of Wuxi Shengye. Payment of consideration for the Wuxi Shengye Acquisition is intended to be funded as to 40% by internal resources and 60% by external borrowings of the Group.

Conditions Precedent

The payment of the First Installment and the completion of the Wuxi Shengye Acquisition are conditional upon the fulfillment (or waiver, if applicable) of the following conditions precedent (the "**Wuxi Shengye Conditions**"):

(1) the Company being satisfied with the results of the due diligence reviews conducted by a third party consultant on, among others, the financial, legal and valuation aspects of Wuxi Shengye, and there having been no change to the results of the due diligence review that are not acceptable to the Company prior to the completion of the Wuxi Shengye Acquisition; and based on the results of the due diligence reviews, Wuxi Shengye and the Vendors having taken appropriate remedial actions (where necessary) (including but not limited to the confirmation and verification of the payment method and date of payment in respect of the accounts receivable, accounts payable and other debts, and dealing with any litigation cases, unless otherwise agreed under the Share Transfer Agreement), which are satisfactory and acceptable to the Company;

(2) the Share Transfer Agreement and all related documents in relation to the transactions contemplated thereunder having been duly executed by the parties, and each of the Vendors having obtained all necessary approvals, consents and authorizations in relation to the execution and performance of such documents; and the execution of such documents having not violated the relevant laws and regulations, articles of association or agreements;

(3) the Company having published the relevant announcement(s) and/or circular(s) (if applicable) and having obtained the Shareholders' approval (if applicable) in accordance with the relevant requirements of the Listing Rules and the Stock Exchange in relation to the Share Transfer Agreement and the transactions contemplated thereunder;

(4) each of the Vendors, the Company and Wuxi Shengye having obtained all necessary government approvals required under the relevant laws and regulations and all necessary consents from third parties which are required for the Share Transfer Agreement and the transactions contemplated thereunder;

(5) subject to the fulfillment of conditions set out in paragraphs (3) and (4) above, Wuxi Shengye having applied for all relevant registration with the local administration for industry and commerce in respect of the Share Transfer Agreement and the transactions contemplated thereunder and such registration having been completed, and Wuxi Shengye having received and obtained the notice of approval of such registration and the new business licence;

(6) all subsidiaries or branches (if any) of Wuxi Shengye having been deregistered in accordance with the relevant laws;

(7) the status of assets, liabilities, credit and debt of Wuxi Shengye as disclosed to the Company in the Share Transfer Agreement having remained unchanged since the date of the Share Transfer Agreement, and there having been no other liabilities of Wuxi Shengye other than those which have been disclosed to the Company in the Share Transfer Agreement;

(8) all employees or management of Wuxi Shengye having been settled by Wuxi Shengye;

(9) each of the Vendors' representations and warranties contained in the Share Transfer Agreement having remained complete, true and accurate, and not contained false or misleading statements or major omissions;

(10) there having been no force majeure events which may lead to breach of obligations under the Share Transfer Agreement, or if such events materialise, the effects have been mitigated and will not adversely affect the transactions contemplated under the Share Transfer Agreement;

(11) Wuxi Shengye having obtained all necessary approvals in relation to its licenses and qualifications, and there having been no legal and/or substantial restrictions in relation to the re-application or renewal of such licenses and qualifications;

(12) there having been no material adverse change or reasonable expectation of event which may have a material adverse effect in relation to Wuxi Shengye, its assets and the transactions contemplated under the Share Transfer Agreement;

(13) there having been no restriction, prohibition, injunction, invalidation or any kind which prevents (or seeks to prevent) the Share Transfer Agreement and the transactions contemplated under the Share Transfer Agreement by any government authorities; and

(14) each of the Vendors having complied with all of their respective obligations under the Share Transfer Agreement.

The Company may waive, in whole or in part, conditionally or unconditionally, conditions set out in paragraphs (1), (6), (7), (8), (9), (10), (11), (12) and (14) above by written notice to the Vendors. The conditions set out in paragraphs (2), (3), (4), (5) and (13) above cannot be waived. The Wuxi Shengye Conditions shall be fulfilled or waived (as the case may be) on or before the Long Stop Date. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, (i) the approvals and consents referred to in paragraph (2) above are approvals and consents from the local development and reform bureau and the local bureau of commerce; and (ii) the necessary government approvals and consents from third parties referred to in paragraph (4) above include approvals and consents from the local commerce department, administration for industry and commerce department, foreign exchange department and land administration department.

As at the Latest Practicable Date, save for the publication of the announcement as required by the condition in paragraph (3) above, none of the other Wuxi Shengye Conditions have been fulfilled.

Completion

Completion of the Wuxi Shengye Acquisition shall take place after the fulfillment (or waiver, if applicable) of all of the Wuxi Shengye Conditions and the completion of the registration with the relevant administration for industry and commerce in the PRC in respect of the Wuxi Shengye Acquisition.

Post-completion Obligations

Pursuant to the terms of the Share Transfer Agreement, the Vendors shall, on the date of the fulfillment (or waiver, if applicable) of all of the Wuxi Shengye Conditions, provide all certificates and materials, including but not limited to corporate documents, land and project related certificates and bank accounts of Wuxi Shengye to the Company, and complete the relevant administrative hand-over procedures in accordance with the terms of the Share Transfer Agreement (the "**Post-completion Obligations**").

Termination

The Share Transfer Agreement may be terminated by all parties or by written notice from the non-defaulting party (as the case may be) (i) if there is a mutual agreement among the parties; (ii) if there is any force majeure or other events or non-foreseeable factors that will make the Share Transfer Agreement not enforceable; (iii) if any of the Wuxi Shengye Conditions are not fulfilled (or waived, if applicable) on or before the Long Stop Date; (iv) if the Vendors breach their pre-completion obligations in relation to the operation of Wuxi Shengye under the Share Transfer Agreement; (v) if there is any material breach of the representations, warranties and undertakings by the Vendors under the Share Transfer Agreement; (vi) if there is fraud in or material breach of the Share Transfer Agreement; or (vii) if there is any delay in payment of the consideration for the Wuxi Shengye Acquisition for over 30 days by the Company (excluding the delay in payment which is not caused by the Company).

If the Share Transfer Agreement is terminated as a result of any of the events set out in paragraphs (iii), (iv), (v) and (vi) above and the Vendors are the defaulting parties, the Company is entitled to a liquidated damage in a sum of RMB1,000,000 payable by the Vendors within five (5) business days after receiving the written notice of termination from the Company.

If the Share Transfer Agreement is terminated as a result of any of the events set out in paragraphs (vi) and (vii) above and the Company is the defaulting party, the Vendors are entitled to a liquidated damage in a sum of RMB1,000,000 payable by the Company within five (5) business days after receiving the written notice of termination from the Vendors.

Information on National Trust, Mr. Wang and Wuxi Shengye

National Trust is a limited company established under the laws of the PRC, and is principally engaged in capital trust, movable and immovable property trust, equity trust, fund investment, business restructuring, mergers and acquisitions, project financing, corporate finance and financial consultancy.

Mr. Wang is a citizen of the PRC and a third party independent of the Company and its connected persons.

Wuxi Shengye is a limited company established under the laws of the PRC, and is principally engaged in property development in the PRC. As at the Latest Practicable Date, Wuxi Shengye is owned as to 99% and 1% by National Trust and Mr. Wang respectively.

Set out below is the unaudited financial information of Wuxi Shengye for the two financial years ended 31 December 2015 and 2016 prepared in accordance with the generally accepted accounting principles in the PRC:

	For the financial year ended 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Net loss before and after taxation and extraordinary items	(4,327)	(97,998)

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Net assets	372,212	274,214

According to the valuation report prepared by AVISTA making reference to comparable sales evidence as available in the relevant market, the market value of the properties and land attributable to Wuxi Shengye was RMB659,000,000 as at 31 December 2016. Details of the valuation report are disclosed in Appendix V to this circular.

Statement of reconciliation

The construction cost paid by Wuxi Shengye as at 31 December 2016 as disclosed in the valuation report of the Target Company set out in the Appendix V to this circular was approximately RMB127,232,000. According to the accountants' report set out in the Appendix II to this circular, the carrying value of the properties under development was approximately RMB468,785,000 (the "**Carrying Value**"). To the best knowledge of the Company, the aforesaid construction cost paid is one of the components to measure the Carrying Value, and the other components include: (i) a total land premium of RMB117,930,000; (ii) other tax in relation to the transfer of land of RMB3,565,000; (iii) accruals of the construction costs of RMB190,200,000; (iv) construction costs incurred but not yet received value added tax invoice of RMB27,881,000; and (v) interest expense capitalized RMB1,977,000.

According to the valuation report set out in the Appendix V to this circular, the market value of Wuxi Shengye as at 31 December 2016 was RMB659,000,000 ("**Market Value**"). To the best knowledge of the Company, the Carrying Value represents the cost of the properties under development, whereas the Market Value represents valuation of Wuxi Shengye by the independent professional Valuer, and the difference between the Carrying Value and the Market Value of approximately RMB190,215,000 represents the appreciation of fair value as at 31 December 2016, being the date of the valuation.

REASONS FOR AND BENEFIT OF THE WUXI SHENGYE ACQUISITION

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

It was mentioned in the annual report of the Company for the twelve months ended 30 June 2016 that the Group would continue its principal business in property investment, resort and property development and investment holding, and would seek to expand these business segments by looking for appropriate investment opportunities with the aim to bring satisfactory return to the Group and the Shareholders. In particular, for the resort and property development business, the Group would continue to look for resort and property development business opportunities including but not limited to Mainland China and Hong Kong, being markets the Company's management is more familiar with. To widen the scope of the Group's property investment portfolio, the Company is also considering commercial property and hotel investments.

It was also mentioned in the interim report of the Company for the six months ended 31 December 2016 that the Group would continue to seek for good investment opportunities in investments and property development projects. The Group has been actively identifying investment opportunities in pursuit of its business strategy.

The current management of the Company has experience in and is familiar with the property development market in the PRC. The Company will develop the Land by leveraging on its previous experience in the resort, villa and commercial property (including shopping mall, restaurants and offices) development projects in Panama and the British Virgin Islands.

Upon completion of the Wuxi Shengye Acquisition, Wuxi Shengye will become a subsidiary of the Company. The Board considered that: (i) the principal activity of Wuxi Shengye is in line with the business strategy of the Group; (ii) the principal asset of Wuxi Shengye has a land area of approximately 29,326 sq.m.; (iii) the projects thereon are commercial in nature with gross floor area of approximately 191,984 sq.m.; (iv) the consideration of the Wuxi Shengye Acquisition is at a discount of approximately 14.67% to the net assets value of Wuxi Shengye of RMB274,214,000 as at 31 December 2016; and (v) the consideration of Wuxi Shengye Acquisition is at a discount of approximately 37.45% to the adjusted net assets value of RMB374,076,000 after taking into account the fair value adjustment on the properties under development and the deferred tax liability arising from the fair value adjustment. In addition, the Land is for commercial use and currently intended to be developed for sale purpose by the Company. It is expected that the construction will complete in August 2018 and Wuxi Shengye has obtained the pre-sales permit of block 2 and 5 of the properties on the Land. In view of the location and the intended use of the Land, the Board considers that the Wuxi Shengye Acquisition offers good opportunity for the Group to invest in the property market in the PRC and expand the scope of the Group's property investment portfolio with a view to bring more investment return for the Shareholder.

The Directors noted the disclaimer of opinion on the financial information of the Target Company by the reporting accountant set out in Appendix II of this circular. Such disclaimer of opinion was due to the inability to obtain sufficient appropriate audit evidence in respect of the amounts due from two entities controlled by a former controlling party of the Target Company, but an amount of approximately RMB95 million has been recognised as provision for impairment loss on amounts due from the entities controlled by a former controlling party of the Target Company during the year ended 31 December 2016.

The Company is comfortable in acquiring the Target Company despite the aforementioned disclaimer of opinion and the inability to draw a conclusion by the reporting accountant on the grounds that: (i) the basis for the disclaimer of opinion is due to the inability of the reporting accountant of the Company to obtain sufficient appropriate audit evidence to satisfy the existence, valuation and the appropriateness of the classification of the balances of the amounts due from two entities controlled by a former controlling party of the Target Company for the years ended 31 December 2014, 2015 and 2016, verify their financial abilities and evaluate the recoverability of these balances for the years ended 31 December 2014 and 2015. The Directors are of the view that the financial impact on the Target Company in respect of such amounts due from the two entities would be minimal as the balance of approximately RMB95 million is fully impaired resulting in zero net carrying amounts as at 31 December 2016; (ii) the effect of such provision for impairment loss has been reflected in the financial information of the Target Company for the year ended 31 December 2016, and the terms of the Wuxi Shengye Acquisition are determined mainly by reference to the financial information of the Target Company for the year of 2016; (iii) the Directors will strengthen the internal control system of the Target Company after completion of the Wuxi Shengye Acquisition to prevent occurrence of similar incident in the future; and (iv) as all of such balance of the Target Company that have carried forward effect as mentioned above will no longer exist after completion of the Wuxi Shengye Acquisition, the Directors believe that there will be no disclaimer opinion in this respect in future consolidated financial statements of the Group.

Apart from the above-motioned matter, there was no other modification on the opinion in respect of the remaining items in the statements of financial position of the Target Company as at 31 December 2016 in the financial information.

In light of the above, the Directors consider the terms of the Wuxi Shengye Acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTIONS

Upon completion of the Wuxi Shengye Acquisition, Wuxi Shengye will become a wholly-owned subsidiary of the Company and hence, it will be included in the Group's consolidated financial statements. For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix III to this circular.

Assets and liabilities

Based on the unaudited pro forma financial information as set out in Appendix III to this circular, assuming that the completion of the Wuxi Shengye Acquisition had taken place on 31 December 2016, the total assets of the Group would have increased from approximately HK$1,005,166,000 to approximately HK$1,538,797,000 on a pro forma basis, the total liabilities of the Group would have increased from approximately HK$5,009,000 to approximately HK$383,379,000 on a pro forma basis, the net assets of the Group would have increased from approximately HK$1,000,157,000 to approximately HK$1,155,418,000 on a pro forma basis.

Earnings

For the six months ended 31 December 2016, the Group recorded profit after tax of approximately HK$43,984,000, which will not be affected by the Wuxi Shengye Acquisition. Nevertheless, after the Wuxi Shengye Acquisition, the financial results, assets and liabilities of Wuxi Shengye will be consolidated with those of the Group and the earnings of the Group will be affected by the performance of Wuxi Shengye. The land and properties of Wuxi Shengye are classified as properties under development and are stated at the lower of cost and net realisable value.

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 Wuxi Shengye Acquisition is more than 25% but less than 100%, the Wuxi Shengye Acquisition under the Share Transfer Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

A notice convening the SGM to be held at The Boardroom (Basement 2), The Wharney Guang Dong Hotel Hong Kong, 57 – 73 Lockhart Road, Wanchai, Hong Kong on Tuesday, 18 April 2017 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Share Transfer Agreement and the transactions contemplated thereunder, respectively.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business at Unit 1801, 18/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

The register of members of the Company will be closed from Tuesday, 11 April 2017 to Tuesday, 18 April 2017 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the SGM, during which period no transfer of Share(s) will be registered. In order to be eligible to attend and vote at the SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 April 2017. Shareholders whose names appear on the register of members of the Company on Tuesday, 18 April 2017 shall be entitled to attend and vote at the SGM.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders have any material interest in the Share Transfer Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting in respect of the Share Transfer Agreement and the transactions contemplated thereunder.

RECOMMENDATIONS

The Directors believe that the terms of the Share Transfer Agreement and the Wuxi Shengye Acquisition are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Transfer Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular and the notice of the SGM as set out on pages SGM-1 to SGM-3, which form part of this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the six months ended 31 December 2016 and each of the three years ended 30 June 2014, 2015 and 2016 are disclosed in the following announcement of interim report for the six months ended 31 December 2016 and the annual reports of the Company for the years ended 30 June 2014, 2015 and 2016, respectively, which have been published and available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.applieddev.com):

- The annual report 2014 of the Company for the year ended 30 June 2014 which is published on 9 October 2014 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1009/LTN20141009023.pdf), please refer to pages 40 to 134 in particular.

- The annual report 2015 of the Company for the year ended 30 June 2015 which is published on 27 October 2015 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1027/LTN20151027272.pdf), please refer to pages 28 to 88 in particular.

- The annual report 2016 of the Company for the year ended 30 June 2016 which is published on 20 September 2016 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0920/LTN20160920275.pdf), please refer to pages 30 to 84 in particular.

- The interim report 2017 of the Company for the six months ended 31 December 2016 which is published on 9 March 2017 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0309/LTN20170309188.pdf), please refer to pages 3 to 17 in particular.

The said financial statements are hereby incorporated by reference in, and form an integral part of, this circular.

2. INDEBTEDNESS

Borrowings

At the close of business on 31 January 2017, being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged Group had (i) interest-bearing borrowing of the Group of RMB15,000,000 (equivalent to approximately HK$17,250,000); (ii) amount due to a former controlling party of the Target Company of approximately RMB77,000 (equivalent to approximately HK$87,000); and (iii) interest-bearing borrowing of the Target Company of approximately RMB2,320,000 (equivalent to approximately HK$2,615,000).

All the above borrowings of the Enlarged Group are unguaranteed and unsecured.

Disclaimers

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 January 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the effects of the completion of the Wuxi Shengye Acquisition and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group will continue its principal business in property investment, resort and property development and investment holding, and will seek to expand these business segments by looking for appropriate investment opportunities with the aim to bring satisfactory return to the Group and the Shareholders. For the property investment business, the Company will continue to seize acquisition opportunities in prime office properties located in core business districts in Hong Kong in view that demands for high grade offices will continue to steadily increase in the coming years. In respect of the resort and property development business, the Group will continue to look for resort and property development business opportunities including but not limited to Mainland China and Hong Kong, being markets the Company's management is more familiar with. As for the investment holding business, the Group will continue with its investment business, being part of its treasury management activities, in effectively utilizing surplus listed on the Stock Exchange or overseas exchanges, equity-linked notes, convertible bonds as well as in corporate bonds. To widen the scope of the Group's property investment portfolio, the Company is also considering commercial property and hotel investments with an aim to maximise return to Shareholders. The Group has been exploring various investment opportunities available in the market recently which includes various commercial properties, boutique hotel and office units.

After the acquisition of the office properties in Lippo Centre and China Merchants Tower, the rental income of the Group for the six months ended 31 December 2016 raised to HK$5,691,000, representing 836% increase as compared to HK$608,000 for the corresponding period ended 31 December 2015. The Group recorded the increase of fair value of investment properties of HK$41,000,000 for the six months ended 31 December 2016. At 31 December 2016, the carrying value of the Group's investment properties amounted to HK$481,000,000. The Board believes the office properties of the Group continue to generate satisfied rental income as well as their appreciation of values.

In addition, the Company subscribed 20% equity interests in an investment holdings company, Wealth Guide Global Limited, for US$20 and provided a loan of HK$200,000,000. The Board believes that the investments in an investment holdings company as well as the shareholder's loan will benefit the Group as a whole.

As disclosed in the Company's announcement dated 23 January 2017, the Company had entered into the capital injection agreement, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital of RMB150,000,000 into a property development company in the PRC by way of cash contribution. Upon completion of the capital injection, the Group will hold as to 75% equity interests of the property development company. There is no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the property development company in consequence of such acquisition.

Upon completion of the Wuxi Shengye Acquisition, Wuxi Shengye will become a subsidiary of the Company and its accounts will be consolidated into the accounts of the Company.

The Board considers the relevant acquisitions are in line with the Group's business strategy, and the Board will continue to seek for good opportunities in investments and property development projects for the Group. Save as disclosed above, no other decision has been made as at the Latest Practicable Date. The Company will issue further announcement(s) to provide Shareholders with further details once any other investment opportunity has been identified.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Mazars CPA Limited.

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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24 March 2017

The Directors
Applied Development Holdings Limited
Unit 1801, 18/F, West Tower
Shun Tak Center
200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 無錫盛業海港股份有限公司 (Wuxi Shengye Haigang Joint Stock Company Limited#) (the "Target Company") for inclusion in the circular of Applied Development Holdings Limited (the "Company") dated 24 March 2017 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target Company (the "Acquisition"). The Financial Information comprises the statements of financial position of the Target Company as at 31 December 2014, 2015 and 2016, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information.

The Target Company was established in the People's Republic of China (the "PRC") with limited liability on 24 April 2012 and is engaged in property development in the PRC.

The Target Company adopts 31 December as its financial year end date.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA, except for the inability to obtain sufficient appropriate audit evidence as explained below.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY

The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements which gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance, and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and to report our opinion to you. Because of the matters as explained below, however, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Financial Information. We have not audited any financial statements of the Target Company in respect of any period subsequent to 31 December 2016.

BASIS FOR DISCLAIMER OF OPINION

(a) We have not been able to obtain sufficient appropriate evidence to substantiate the nature of the amounts due from two entities which were controlled by a former controlling party of the Target Company amounting to approximately RMB67,560,000, RMB84,161,000 and RMB95,161,000 (before impairment provision) as at 31 December 2014, 2015 and 2016 respectively. The balance as at 31 December 2014 was included in the amount due from the then related companies and after the change of ownership of the Target Company during 2015, these balances were included in "other receivables" as at 31 December 2015 and 2016.

There were no other practicable alternative procedures that we could adopt to verify the balances in question. Accordingly, we were unable to satisfy ourselves as to the existence and valuation of the balances and the appropriateness of the classification of the balances. We were unable to determine whether any adjustments were necessary in respect of the amounts and related disclosures which might have a consequential significant effect on the Financial Information of the Target Company for the Relevant Periods.

(b) As mentioned in Note 13 to the Financial Information, a provision for impairment loss on the amounts due from the entities controlled by a former controlling party which are included in "other receivables" amounting to approximately RMB95,161,000 has been recognised during the year ended 31 December 2016 as the management of the Target Company considered such amounts would not be recoverable due to deterioration of financial conditions of these entities.

In addition to our inability to verify the nature of the amounts as explained in (a) above, we were unable to obtain sufficient appropriate evidence to verify the financial ability of these entities as at 31 December 2014 and 2015 and we were unable to evaluate the recoverability of the amounts as at 31 December 2014 and 2015. Therefore, we were unable to determine whether an impairment loss should be recognised in earlier years and whether any adjustments to the impairment loss recognised during the year ended 31 December 2016 were necessary, which may have a significant impact on the Financial Information of the Target Company for the Relevant Periods.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs above, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the Financial Information.

EMPHASIS OF MATTER

We draw attention to Section B below concerning the adoption of going concern basis on which the Financial Information has been prepared. As at 31 December 2016, the Target Company had bank balances of approximately RMB2,000 and incurred losses of approximately RMB2,723,000, RMB4,327,000 and RMB97,998,000 during the years ended 31 December 2014, 2015 and 2016 respectively. In addition, up to the date of the Financial Information, the Target Company had entered into agreements for certain construction works of the properties under development. Pursuant to the terms of these agreements, the Target Company has committed approximately RMB237,814,000 which is to be settled upon the completion of the properties under development.

The validity of the basis depends on the future profitable operation of the Target Company and the financial support from the Company. The Company, as a potential investor, has confirmed in writing its intention to provide continuing financial support to the Target Company upon the completion of the Acquisition. The Financial Information does not include any adjustments that would result from a failure to obtain the necessary finance. We consider that appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

A. FINANCIAL INFORMATION OF THE TARGET COMPANY

Statements of Comprehensive Income

		Year ended 31 December		
	Note	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*3*	–	–	–
Other revenue	*3*	1,968	1,050	1
Administrative and other operating expenses		(4,691)	(5,377)	(2,838)
Provision for impairment loss on amounts due from the entities controlled by a former controlling party	*13*	–	–	(95,161)
Loss before tax	*4*	(2,723)	(4,327)	(97,998)
Income tax expense	*5*	–	–	–
Loss and total comprehensive loss for the year		(2,723)	(4,327)	(97,998)

Statements of Financial Position

		As at 31 December		
	Note	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*9*	795	668	322
Current assets				
Properties under development	*10*	463,001	421,562	468,785
Other investments	*11*	10,000	–	–
Due from related companies	*12*	67,560	–	–
Other receivables	*13*	738	96,582	1,501
Bank balances	*14*	3,244	1,841	2
		544,543	519,985	470,288
Current liabilities				
Trade and other payables	*15*	166,319	146,121	194,004
Due to a former controlling party	*16*	–	–	72
Due to a former shareholder	*16*	160	–	–
Interest-bearing borrowing	*17*	2,320	2,320	2,320
		168,799	148,441	196,396
Net current assets		375,744	371,544	273,892
NET ASSETS		376,539	372,212	274,214
Capital and reserves				
Paid-up capital	*18*	380,000	380,000	380,000
Accumulated losses		(3,461)	(7,788)	(105,786)
TOTAL EQUITY		376,539	372,212	274,214

Statements of Changes in Equity

	Paid-up capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	380,000	(738)	379,262
Loss for the year and total comprehensive loss for the year	–	(2,723)	(2,723)
At 31 December 2014 and 1 January 2015	380,000	(3,461)	376,539
Loss for the year and total comprehensive loss for the year	–	(4,327)	(4,327)
At 31 December 2015 and 1 January 2016	380,000	(7,788)	372,212
Loss for the year and total comprehensive loss for the year	–	(97,998)	(97,998)
At 31 December 2016	380,000	(105,786)	274,214

Statements of Cash Flows

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Loss before tax	(2,723)	(4,327)	(97,998)
Adjustments for:			
Depreciation of property, plant and equipment	98	338	350
Bank interest income	(504)	(20)	(1)
Interest income from other investments	(1,464)	(1,030)	–
Provision for impairment loss on amounts due from the entities controlled by a former controlling party	–	–	95,161
Changes in working capital:			
Properties under development	(206,566)	41,439	(47,223)
Other receivables	(532)	(22)	(261)
Advance to former shareholders/the entities controlled by a former controlling party, net	(54,482)	(17,392)	(10,849)
Trade and other payables	166,246	(20,198)	47,955
Net cash used in operating activities	(99,927)	(1,212)	(12,866)
INVESTING ACTIVITIES			
Interest received	1,968	20	1,031
Payment for purchases of property, plant and equipment	(881)	(211)	(4)
Proceeds upon maturity of other investments	–	–	10,000
Net cash from (used in) investing activities	1,087	(191)	11,027
FINANCING ACTIVITIES			
Repayment from a shareholder	12,226	–	–
Net cash from financing activities	12,226	–	–
Net decrease in cash and cash equivalents	(86,614)	(1,403)	(1,839)
Cash and cash equivalents at the beginning of the reporting periods	89,858	3,244	1,841
Cash and cash equivalents at the end of the reporting periods, represented by bank balances	3,244	1,841	2

B. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company established in the PRC on 24 April 2012. The address of its registered office is 無錫市惠山區堰橋街道西漳北環路938號519-4 (地鐵西漳站區) (519-4, 938 N Ring Road (Xizhang Subway Station District), Xizhang Yanqiao Residential District, Huishan, Wuxi, Jiangsu#).

The principal activity of the Target Company is property development in the PRC.

In the opinion of the directors of the Target Company, the immediate holding company and the ultimate holding company of the Target Company is 國民信託有限公司 (The National Trust Limited #) ("National Trust"), a company established in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Application of HKFRSs

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of preparing the Financial Information, the Target Company has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Relevant Periods.

As at the date of this report, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Target Company but not yet effective, which the Target Company has not early adopted.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

The directors of the Target Company are in process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Financial Information.

A summary of the principal accounting policies adopted by the Target Company in the preparation of the Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Going Concern

As at 31 December 2016, the Target Company had bank balances of approximately RMB2,000 and incurred losses of approximately RMB2,723,000, RMB4,327,000 and RMB97,998,000 during the years ended 31 December 2014, 2015 and 2016 respectively.

In addition, up to the date of the Financial Information, the Target Company had entered into agreements for certain construction works of the properties under development. Pursuant to the terms of these agreements, the Target Company has committed approximately RMB237,814,000 to be settled upon the completion of the properties under development. All of these conditions indicate the existence of material uncertainty which may cast doubt on the Target Company's ability to continue as a going concern and therefore, the Target Company may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Target Company has been continually seeking external financial resources to address the above issues. In the opinion of the directors of the Target Company, given that the Company, being a potential investor of the Target Company, has confirmed in writing its intention to make available adequate funds to the Target Company as requested, the Target Company will have sufficient working capital for its current requirements upon completion of the Acquisition and it is reasonable to expect the Target Company to return to a financially viable going concern. Accordingly, the directors of the Target Company are satisfied that it is appropriate to prepare the Financial Information on a going concern basis, notwithstanding the Target Company's financial performance during the Relevant Periods and the liquidity position as at the end of the Relevant Periods.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Furniture, fixtures and office equipment	33%
Computer equipment	33%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion. Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Target Company becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Company's contractual rights to future cash flows from the financial asset expire or (ii) the Target Company transfers the financial asset and either (a) the Target Company transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) Loans and receivables

Loans and receivables including bank balances, amounts due from related companies, other investments and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

(2) Financial liabilities

The Target Company's financial liabilities include trade and other payables, amounts due to a former shareholder and a former controlling party and interest-bearing borrowing. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Target Company assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs

Borrowing costs incurred which are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the year in which they are incurred.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The employees of the Target Company in the PRC are members of the state-managed retirement benefits schemes operated by the government. The Target Company is required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Target Company with respect to the retirement benefits schemes is to make the specified contributions.

Taxation

The charge for current income tax is based on the results for the each reporting period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the year when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A related party is a person or entity that is related to the Target Company.

(a) A person or a close member of that person's family is related to the Target Company if that person:

  (i) has control or joint control over the Target Company;

  (ii) has significant influence over the Target Company; or

  (iii) is a member of the key management personnel of the Target Company or of the parent of the Target Company.

(b) An entity is related to the Target Company if any of the following conditions applies:

  (i) The entity and the Target Company are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) The entity, or any of a group of which it is a part, provides key management personnel services to the Target Company or to its holding company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Financial Information. They affect the application of the Target Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Estimation of net realisable value of properties under development

The Target Company considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties under development of the Target Company are set out in Note 10 to the Financial Information.

Impairment of amounts due from related companies / the entities controlled by a former controlling party

The management determines the provision for impairment of the Target Company's amounts due from related companies / the entities controlled by a former controlling party based on the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Target Company's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision may be required.

Impairment of assets

The Target Company has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

3. REVENUE

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue <*Remark*>	–	–	–
Other revenue			
Bank interest income	504	20	1
Interest income from other investments	1,464	1,030	–
	1,968	1,050	1

<*Remark*>
The Target Company did not generate any revenue from the property development during the Relevant Periods.

The Target Company has only one operating segment which is operated in the PRC and therefore, no segment information is presented.

4. LOSS BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Finance cost			
Interest on other borrowing	557	557	557
Less: Amount capitalised into properties under development	(557)	(557)	(557)
	–	–	–

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Staff cost			
Employee benefits expense (including directors' emoluments)	1,663	2,748	721
Contributions to defined contribution plan	262	400	126
Total staff costs	1,925	3,148	847
Less: Amount capitalised into properties under development	(340)	(471)	(128)
	1,585	2,677	719
Other items			
Auditor's remuneration	60	60	–
Provision for impairment loss on amounts due from the entities controlled by a former controlling party	–	–	95,161
Depreciation	98	338	350

5. INCOME TAX EXPENSE

PRC Enterprise Income Tax has not been provided for the Relevant Periods as the Target Company incurred a loss for taxation purposes for the Relevant Periods in accordance with the relevant tax laws applicable to the Target Company in the PRC. The statutory Enterprise Income Tax rate in the PRC is 25% for the Relevant Periods.

Reconciliation of tax expense

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Loss before tax	(2,723)	(4,327)	(97,998)
PRC Enterprise Income Tax at applicable tax rate of 25%	(681)	(1,082)	(24,500)
Tax effect of expenses not deductible for tax purpose	434	162	23,861
Unrecognised tax losses	247	920	639
Tax expense for the year	–	–	–

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the tax losses because it is not probable that future taxable profit will be available against which the Target Company can utilise the benefits therefrom. At the end of the reporting period, the Target Company has the following tax losses arising in the PRC that can be offset against future taxable profits for a maximum of 5 years from the year in which the tax loss was incurred:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Year of expiry			
2018	668	668	668
2019	988	988	988
2020	–	3,680	3,680
2021	–	–	2,556
	1,656	5,336	7,892

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules regarding section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2016

	Salaries, allowance and benefits in kind	**Contribution to defined contribution retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
王景寧	–	–	–
劉鋼壽	–	–	–
潘振彪	–	–	–
何遠	–	–	–
劉冬雪	–	–	–
	–	–	–

Year ended 31 December 2015

	Salaries, allowance and benefits in kind	Contribution to defined contribution retirement plans	Total
	RMB'000	*RMB'000*	*RMB'000*
王景寧 *(Note i)*	–	–	–
陳永華 *(Note i)*	92	–	92
劉鋼壽 *(Note ii)*	–	–	–
潘振彪	–	–	–
何遠	–	–	–
劉冬雪 *(Note ii)*	–	–	–
朱慶東 *(Note ii)*	–	–	–
	92	–	92

Year ended 31 December 2014

	Salaries, allowance and benefits in kind	Contribution to defined contribution retirement plans	Total
	RMB'000	*RMB'000*	*RMB'000*
陳永華	252	–	252
王景寧	–	–	–
潘振彪	–	–	–
何遠	–	–	–
朱慶東	–	–	–
	252	–	252

Notes:

(i) On 11 May 2015, 陳永華 resigned as chairman and director of the Target Company and 王景寧 was appointed as chairman of the Target Company.

(ii) On 11 May 2015, 朱慶東 resigned as director of the Target Company and 劉鋼壽 and 劉冬雪 were appointed as directors of the Target Company.

(b) Loans, quasi-loans and other dealings in favour of directors

Other than as disclosed in note 12 to the Financial Information, there are no loans, quasi-loans and other dealings in favour of directors of the Target Company or its holding company that were entered into or subsisted during the Relevant Periods.

(c) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Target Company's business to which the Target Company was a party and in which a director of the Target Company had a material interest whether directly or indirectly, subsisted at any time during the Relevant Periods.

(d) Individuals with highest emoluments

The five highest paid individuals included one, one and zero director of the Target Company for the years ended 31 December 2014, 2015 and 2016 respectively, details of whose emoluments are set out in note 6(a) above. The emoluments of the remaining four, four and five highest paid individuals for the years ended 31 December 2014, 2015 and 2016 respectively are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	207	324	83
Contribution to defined contribution retirement plans	6	22	3
Total	213	346	86

The emoluments of the above individuals with the highest emoluments are within the band ranging from Nil to HK$1,000,000 (equivalent to approximately Nil to RMB830,000).

7. DIVIDENDS

No dividends have been paid or declared by the Target Company during the Relevant Periods.

8. LOSS PER SHARE

Loss per share has not been presented as such information is not considered meaningful for the purpose of the Financial Information.

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment	**Computer equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2014			
At the beginning of the reporting period	–	12	12
Additions	813	68	881
Depreciation	(87)	(11)	(98)
At the end of the reporting period	726	69	795
Reconciliation of carrying amount – year ended 31 December 2015			
At the beginning of the reporting period	726	69	795
Additions	211	–	211
Depreciation	(312)	(26)	(338)
At the end of the reporting period	625	43	668

	Furniture, fixtures and office equipment	Computer equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2016			
At the beginning of the reporting period	625	43	668
Additions	4	–	4
Depreciation	(325)	(25)	(350)
At the end of the reporting period	304	18	322
At 31 December 2014			
Cost	813	81	894
Accumulated depreciation	(87)	(12)	(99)
	726	69	795
At 31 December 2015			
Cost	1,024	81	1,105
Accumulated depreciation	(399)	(38)	(437)
	625	43	668
At 31 December 2016			
Cost	1,028	81	1,109
Accumulated depreciation	(724)	(63)	(787)
	304	18	322

10. PROPERTIES UNDER DEVELOPMENT

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Properties under development	463,001	421,562	468,785

The properties under development include costs of acquiring rights to use land, which is located in the PRC for the property development. Land use rights are held on leases of 40 years.

Due to shortage of capital, the development of the properties has been suspended since May 2016.

The development of the properties at the end of the reporting periods is expected to be completed after more than one year.

On 19 June 2015, the Target Company and the Wuxi Municipal Bureau of Land and Resources have entered an agreement for termination of the land transfer agreement for a parcel of land as it was already occupied by another party. The consideration of approximately RMB123 million for acquisition of land use rights, which was paid in 2013, was fully refunded to the Target Company on 27 June 2015 and credited to properties under development to reduce its carrying amount.

11. OTHER INVESTMENTS

Other investments were unlisted unit trusts in the PRC, bore fixed interest rate of 10.3% per annum and matured on 16 December 2015. The Target Company had the intention and ability to hold them upon maturity.

National Trust, the ultimate holding company, was the trustee of the above unit trusts.

12. DUE FROM RELATED COMPANIES

The amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable on demand. Details of the amounts are as follows:

	As at 31 December			Greatest outstanding amount Year ended 31 December		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of related companies						
無錫市盛業房地產開發有限公司 ("盛業房地產")	58,280	–	–	58,280	75,191	–
無錫時代盛業房地產開發有限公司 ("時代盛業")	9,280	–	–	11,380	9,383	–
無錫茂盛世業酒店管理有限公司 ("茂盛世業酒店")	–	–	–	1,890	1,840	–
	67,560	–	–			

盛業房地產 and 茂盛世業酒店 were shareholders of the Target Company until year 2015 and year 2013, respectively and 時代盛業 is a company that a former shareholder, 盛業房地產 has beneficial interest. All these companies are controlled by 陳永華, the founder, an ex-director and a former controlling party of the Target Company. Those balances were transferred to other receivables upon resignation of 陳永華 as the director of the Target Company and the disposal of his interest in the Target Company in 2015.

13. OTHER RECEIVABLES

	Note	As at 31 December **2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Amounts due from the entities controlled by a former controlling party	*(i)*	–	84,792	95,641
Deposits, prepayments and other receivables		738	760	1,021
Amount due from trustee of the other investments	*(ii)*	–	11,030	–
		738	96,582	96,662
Provision for impairment loss	*(i)*	–	–	(95,161)
		738	96,582	1,501

Notes:

(i) Provision for impairment loss

At the end of the reporting periods, the Target Company had carried out a review of the recoverable amounts of the amounts due from the entities which were controlled by 陳永華. In view of (i) deterioration of financial conditions of these entities resulting in an impairment of their ability to make payments and (ii) failure of repayment of certain balances in year 2016, impairment losses were recognised in the Financial Information for the year ended 31 December 2016 and the details are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of reporting period	–	–	–
Increase in provision	–	–	95,161
Balance at the end of the reporting period	–	–	95,161

(ii) The balance represented the principal of RMB10,000,000 and accrued interest income of RMB1,030,000 from other investments withheld by National Trust, the trustee, upon maturity *(Note 11),* which was settled on 7 January 2016.

14. BANK BALANCES

Bank balances held by the Target Company bear interest at prevailing market interest rates.

15. TRADE AND OTHER PAYABLES

		As at 31 December		
	Note	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Trade payables				
To third parties	*(a)*	163,666	144,447	191,765
Other payables				
Accrued interest expense		863	1,420	1,977
Deposits received and other payables		1,790	254	262
		166,319	146,121	194,004

(a) The ageing analysis of trade payables of the Target Company is presented based on recognition date at the end of the reporting periods as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
Within 365 days	163,666	82,349	47,318
Over 365 days	–	62,098	144,447
	163,666	144,447	191,765

16. DUE TO A FORMER CONTROLLING PARTY/A FORMER SHAREHOLDER

The amounts due are unsecured, interest-free and have no fixed term of repayment.

17. INTEREST-BEARING BORROWING

The interest-bearing borrowing is unsecured, bears interest at 24% per annum and repayable on demand.

18. PAID-UP CAPITAL

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid-up capital	380,000	380,000	380,000

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts due from/to related parties, other receivables, trade and other payables and interest-bearing borrowing. The main purpose of these financial instruments is to raise and maintain finance for the Target Company's operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk.

The objective of financial risk management is to ensure that the Target Company's overall financial risk is at an acceptable level and that appropriate returns are achieved for the level of risk assumed. The management generally adopts conservative strategies on its risk management and limits the Target Company's exposure to these risks to a minimum. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

As at 31 December 2014, 2015 and 2016, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the statements of financial position. The Target Company's credit risk is primarily attributable to amounts due from related companies and bank balances.

The management considers the credit risk in respect of bank balances is minimal because the Target Company's bank balances are placed with creditworthy banks in the PRC.

In respect of amounts due from related companies, individual credit evaluations are performed taking into account of the counterparties' repayment ability. Monitoring procedures are in place on an ongoing basis in order to reduce credit risk.

Liquidity risk

Management of the Target Company aims at maintaining sufficient level of cash and cash equivalents to finance the Target Company's operations and expected expansion. The Target Company's primary cash requirements include payments for operating expenses and construction of properties under development.

The Target Company finances its working capital requirements mainly by the funds generated from operations and utilisation of interest-bearing borrowing. The maturity profile of the Target Company's financial liabilities at the end of the reporting period are all due on demand, no fixed term of repayment or within one year.

20. FAIR VALUE MEASUREMENTS

All financial assets and financial liabilities are carried at amount not materially different from their fair values as at 31 December 2014, 2015 and 2016.

21. CAPITAL MANAGEMENT

The objectives of the Target Company's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity owners. The Target Company manages its capital structure and makes adjustments, including payment of dividends to equity owners, return of capital to equity holders or call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

22. COMMITMENTS

At the end of the reporting periods, the Target Company had the following properties under development expenditure commitments:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Expenditure in respect of the properties under development contracted but not provided for	311,527	283,814	237,814

23. LITIGATIONS

At the end of the reporting period, there were following material outstanding litigations as defendant:

During the year ended 31 December 2013 and the Relevant Periods, the Target Company entered into several agreements (the "Construction Agreements") with a contractor (the "Contractor") for construction work of the properties under development.

In June 2016, the Contractor submitted an application for civil case proceedings at Jiangsu Wuxi Intermediate People's Court for termination of the Construction Agreements with effect from 7 June 2016, and claiming for outstanding receivable from the Target Company (the "Construction Cost") of approximately RMB170 million together with related interest, refund of guarantee deposit of RMB20 million and being the first rank of creditors among all creditors.

Based on the legal opinion of the Target Company's PRC lawyers, the directors of the Target Company are of the opinion that the Target Company should only be liable for the Construction Cost, which is recognised in the Financial Information. The final cost incurred is still subject to consultancy report issued by an independent registered engineer. As at 31 December 2016, the account payable balance to the Contractor recognised in the statement of financial position was approximately RMB170 million.

C. SUBSEQUENT FINANCIAL STATEMENTS / SUBSEQUENT EVENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2016.

There were no significant subsequent events that have occurred to the Target Company since 31 December 2016.

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The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Mazars CPA Limited.

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

MAZARS CPA LIMITED
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24 March 2017

The Directors
Applied Development Holdings Limited
Unit 1801, 18th Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Applied Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities at 31 December 2016 and related notes as set out in Appendix III to the circular in connection with the proposed acquisition of the entire issued share of 無錫盛業海港股份有限公司 (Wuxi Shengye Haigang Joint Stock Company Limited#) (the "Target Company") (the "Acquisition") dated 24 March 2017 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's consolidated financial position at 31 December 2016 as if the Acquisition had taken place on 31 December 2016. As part of this process, information about the Group's unaudited consolidated financial position at 31 December 2016 has been extracted by the Directors from the Group's interim report for the six months ended 31 December 2016 on which no audit, review or accountant's report has been published. Information about the financial position of the Target Company at 31 December 2016 has been extracted by the Director from Appendix II to the Circular.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting accountant's independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

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B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The following is a summary of illustrative unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities at 31 December 2016 in connection with the proposed acquisition of the entire issued shares of 無錫盛業海港股份有限公司 (Wuxi Shengye Haigang Joint Stock Company Limited[#]) (the "Target Company") (the "Acquisition"). The unaudited pro forma financial information presented below is prepared to illustrate the financial position of the Group immediately after completion of the Acquisition (the "Enlarged Group") as at 31 December 2016 as if the Acquisition had been completed on 31 December 2016.

The unaudited pro forma financial information is prepared based on the unaudited consolidated statement of financial position of the Group at 31 December 2016 as extracted from the interim report of the Group for the six months ended 31 December 2016 and the audited statement of financial position of the Target Company at 31 December 2016 as extracted from Appendix II to the Circular of which the disclaimer of opinions as well as its relevant reasons were stated in Appendix II.

The unaudited pro forma financial information is presented after making pro forma adjustments that are directly attributable to the Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those adjustments which are expected to have/have no continuing effect on the Enlarged Group.

The unaudited pro forma financial information has been prepared by the Directors in accordance with paragraph 4.29(1) of the Listing Rules, for the purposes of illustrating the effect of the Acquisition is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of the financial position, financial performance and cash flows of the Group had the Acquisition been completed as of 31 December 2016, where applicable, or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the interim report of the Group for the six months ended 31 December 2016 and other financial information included elsewhere in the Circular.

2. Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2016 has been prepared based on the unaudited consolidated statement of financial position of the Group as at 31 December 2016, which have been extracted from the interim report of the Company for the period then ended and the audited statement of financial statements of the Target Company as at 31 December 2016, which have been extracted from Appendix II, after making pro forma adjustments relating to the Acquisition that are directly attributable to the transaction and factually supportable.

	The Group at 31 December 2016	The Target Company at 31 December 2016	The Target Company at 31 December 2016	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets						
Investment properties	481,000	–	–	–	–	481,000
Property, plant and equipment	33	322	359	–	–	392
Interests in subsidiaries	–	–	–	261,121	(261,121)	–
Available-for-sale investments	175	–	–	–	–	175
	481,208	322	359	261,121	(261,121)	481,567
Current assets						
Properties under development	–	468,785	523,117	–	212,261	735,378
Financial assets at fair value through profit or loss	45,158	–	–	–	–	45,158
Trade and other receivables	75,019	1,501	1,675	–	–	76,694
Loan to an affiliate company	200,000	–	–	–	–	200,000
Bank balances and cash	203,781	2	2	(202,733)	(1,050)	–
	523,958	470,288	524,794	(202,733)	211,211	1,057,230
Current liabilities						
Consideration payable	–	–	–	58,388	–	58,388
Trade and other payables	2,673	194,004	216,489	–	–	219,162
Due to a former controlling party	–	72	80	–	–	80
Interest-bearing borrowing	–	2,320	2,589	–	–	2,589
	2,673	196,396	219,158	58,388	–	280,219
Net current assets	521,285	273,892	305,636	(261,121)	211,211	777,011
Total assets less current liabilities	1,002,493	274,214	305,995	–	(49,910)	1,258,578
Capital and reserves						
Share capital	20,876	380,000	424,042	–	(424,042)	20,876
Share premium and reserve	979,281	(105,786)	(118,047)	–	273,308	1,134,542
Total equity	1,000,157	274,214	305,995	–	(150,734)	1,155,418
Non-current liabilities						
Deferred tax liabilities	2,336	–	–	–	100,824	103,160
	1,002,493	274,214	305,995	–	(49,910)	1,258,578

3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The balances have been extracted, without adjustments, from the interim report of the Group for the six months ended 31 December 2016.

2. The balances are extracted from the accountants' report on the Target Company as set out in Appendix II to the Circular after translated at the exchange rate of RMB1 to HK$1.1159, which is the prevailing exchange rate on 31 December 2016.

3. The adjustment represents the total consideration of the Acquisition of RMB234,000,000 (equivalent to approximately HK$261,121,000) (the "Consideration") which will be settled in cash upon completion of the Acquisition.

   The directors of the Company expect that the consideration payable of approximately HK$58,388,000 will be funded by the internal resources and/or a proposed external borrowing.

4. The adjustment represents the elimination of the investment cost of RMB234,000,000 (equivalent to approximately HK$261,121,000) paid by the Company for the Acquisition.

   Upon completion, the identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

   The gain on bargain purchase resulted from the Acquisition as if the Acquisition was completed on 31 December 2016 is calculated as follows:

		HK$'000
Cash consideration		261,121
Less: Net assets acquired	*(i)*	(417,432)
		(156,311)
Add: Estimated transaction cost	*(ii)*	1,050
Gain on bargain purchase arising from the Acquisition	*(iii)*	(155,261)

(i) The amount of net assets of the Target Company acquired are calculated as below:

	RMB'000	*HK$'000*
Fair value of properties under development	659,000	735,378
Less: Carrying amount of properties under development as at 31 December 2016 as stated in the books	(468,785)	(523,117)
Fair value adjustment on properties under development	190,215	212,261
Deferred tax liability arising from fair value adjustment	(90,353)	(100,824)
Net assets	274,214	305,995
	374,076	417,432

For the purpose of preparation of the unaudited pro forma consolidated statement of assets and liabilities, it is assumed that the fair values of the identifiable assets and liabilities of the Target Company, except for properties under development, approximates to their respective carrying amounts as at 31 December 2016. The fair values of the identifiable assets and liabilities of the Target Company as at the completion date of the proposed acquisition will be determined by the directors of the Company by reference to a valuation to be carried out by an independent professional qualified valuer of the Company. The fair values of the identifiable assets and liabilities of the Target Company determined on the completion date may be materially different from their respective values used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities. Accordingly, the final amounts of assets or liabilities and gain on bargain purchase or goodwill, if any, to be recognised in the consolidated financial statements of the Enlarged Group upon completion may be materially different from the amounts adopted in the preparation of this unaudited pro forma consolidated statement of assets and liabilities.

The valuation of properties under development are taken with reference to the valuation report carried out by AVISTA Valuation Advisory Limited, an independent professional qualified valuer not connected to the Group, as set out in Appendix V to the circular.

Deferred tax liability in respect of the fair value adjustment is approximately RMB90,353,000 (equivalent to approximately HK$100,824,000), which represents the potential effect on temporary difference (including PRC Land

Appreciation Tax and PRC Enterprise Income Tax) on the fair value adjustment on properties under development.

The directors of the Company have reviewed the carrying values of the Enlarged Group taking into account the independent valuation report. Based on the valuation report, the directors of the Company are of the opinion that there are no indications that the values of the properties under development of the Enlarged Group may be impaired as at 31 December 2016.

(ii) The adjustment represents the estimated professional fees and expenses attributable to the Acquisition amounting to approximately HK$1,050,000.

(iii) The adjustment reflects the pro forma gain on bargain purchase of approximately HK$155,261,000 arising from the Acquisition using the acquisition method which is consistent with the accounting policy on business combinations adopted by the Group.

5. Save as set out above, the unaudited pro forma consolidated statement of assets and liabilities does not take into account any trading results or other transactions of the Group and the Target Company subsequent to 31 December 2016 (including the result of the ligitation as set out in Note 23 of the Financial Information of the Target Company in Appendix II) as included in the unaudited pro forma consolidated statement of assets and liabilities.

denotes an English translation of the Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese name shall prevail.

Set out below is the management discussion and analysis of Wuxi Shengye for the three years ended 31 December 2014, 2015 and 2016.

BUSINESS OVERVIEW

During the three years ended 31 December 2014, 2015 and 2016, the principal activity of the Wuxi Shengye is property development in the PRC. The principal asset of Wuxi Shengye is the land located in 中國無錫市惠山新城天一新城天河路兩側 (the side of Tianhe Road, Tianyi New Town, Huishan New Town, Wuxi City, the PRC*), with land area of approximately 29,326 sq.m. (the "**Wuxi Land**"). Based on the information available to-date, the Wuxi Land is to be developed for commercial purposes with total gross floor area of approximately 191,984 sq.m., details of total gross floor are as follows:

Category	**Area** *(approx. sq.m.)*
Commercial use	143,252
Ancillary	48,732
Total gross floor area	191,984

FINANCIAL OVERVIEW

The table below sets out the Wuxi Shengye's statement of profit or loss and other comprehensive income for the three years ended 31 December 2014, 2015 and 2016.

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	–	–	–
Other revenue	1,968	1,050	1
Administrative and other operating expenses	(4,691)	(5,377)	(2,838)
Provision for impairment loss on amounts due from the entities controlled by a former controlling party	–	–	(95,161)
Loss before tax	(2,723)	(4,327)	(97,998)
Income tax expense	–	–	–
Loss and total comprehensive loss for the year	(2,723)	(4,327)	(97,998)

Revenue

During the three years ended 31 December 2014, 2015 and 2016, Wuxi Shengye did not generate any revenue as its only property development project, the Wuxi Land, was under construction.

Other revenue

Other revenue of Wuxi Shengye during the three years ended 31 December 2014, 2015 and 2016 was bank interest income and interest income from other investments. Other revenue of Wuxi Shengye amounted to RMB1,968,000, RMB1,050,000 and RMB1,000 for the three years ended 31 December 2014, 2015 and 2016, respectively.

Other investments are represented by the unlisted unit trusts in the PRC with a fixed interest rate of 10.3% per annum and matured on 16 December 2015. After 16 December 2015, Wuxi Shengye has not hold any aforesaid investments.

Marketing and promotion expenses (included in administrative and other operating expenses)

Marketing and promotion expenses of Wuxi Shengye during the three years ended 31 December 2014, 2015 and 2016 was salary expenses and advertising expenses. Selling expenses of Wuxi Shengye amounted to RMB1,855,000, RMB1,275,000 and RMB1,265,000 for the three years ended 31 December 2014, 2015 and 2016, respectively.

Administrative and other operating expenses

Administrative and other operating expenses of Wuxi Shengye during the three years ended 31 December 2014, 2015 and 2016 was salary expenses, travelling expenses and depreciation. Administrative and other operating expenses (excluding marketing and promotion expenses) of Wuxi Shengye amounted to RMB2,836,000, RMB4,102,000 and RMB1,573,000 for the three years ended 31 December 2014, 2015 and 2016, respectively.

The significant increase in the administrative and other operating expenses in the year of 2015 is mainly due to the operation and administration work in relation to the construction of the project on the Wuxi Land for the year ended 31 December 2015.

Provision for impairment loss on amounts due from the entities controlled by a former controlling party

Provision for impairment loss on amounts due from the entities controlled by a former controlling party of Wuxi Shengye amounted to nil, nil and RMB95,161,000 for the three years ended 31 December 2014, 2015 and 2016, respectively.

At the end of the reporting periods, Wuxi Shengye had carried out a recoverability review of the amounts due from the entities which were controlled by a former controlling party. In view of (i) deterioration of financial conditions of these entities resulting in an impairment of their ability to make payments and (ii) failure of repayment of certain balances in year 2016, a provision for impairment losses on the amounts due amounting to approximately RMB95,161,000 were recognised during the year ended 31 December 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the three years ended 31 December 2014, 2015 and 2016, Wuxi Shengye primarily financed its operations from it paid-up capital and the interest-bearing borrowing. The interest-bearing borrowing is unsecured, bearing an interest at 24% per annum and repayable on demand.

At the end of the reporting periods, the Wuxi Shengye had the following properties under development expenditure commitments:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Expenditure in respect of the properties under development contracted but not provided for	311,527	283,814	237,814

As at 31 December 2016, Wuxi Shengye had bank balances of approximately RMB2,000 and Wuxi Shengye had entered into agreements for certain construction works of the properties under development. Pursuant to the terms of these agreements, Wuxi Shengye has committed approximately RMB237,814,000 to be settled upon the completion of the properties under development. The management will consider to leverage its internal resource to raise additional funding to its properties development progress.

EMPLOYEES

Wuxi Shengye remunerated its employees by reference to their qualification, experience, responsibilities, profitability of Wuxi Shengye and current market conditions. As required by applicable PRC regulations, Wuxi Shengye participated in various employee benefit plans organised by the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans.

Wuxi Shengye incurred staff costs of RMB1,925,000, RMB3,148,000 and RMB847,000, and employed 62, 75 and 41 employees for the three years ended 31 December 2014, 2015 and 2016, respectively.

The significant increase in the number of employees for the year ended 31 December 2015 is due to the construction of the project on the Wuxi Land for the year of 2015.

PLEDGE OF ASSETS

Wuxi Shengye did not have any pledged assets as at the Latest Practicable Date.

MATERIAL INVESTMENTS, CAPITAL ASSETS, ACQUISITION AND DISPOSAL

During the three years ended 31 December 2014, 2015 and 2016, Wuxi Shengye did not hold any significant investments, and did not have any material acquisitions and disposals of subsidiaries and associated companies.

Wuxi Shengye will continue to focus on the development of the Wuxi Land, which is expected to be funded by cash flows generated internally from its operation activities as well as bank borrowings. Other than the development of the Wuxi Land, Wuxi Shengye did not have any future plans for material investments or capital assets as at the Latest Practicable Date.

GEARING RATIO

During the three years ended 31 December 2014, 2015 and 2016, Wuxi Shengye's interest-bearing borrowings amounted to RMB2,320,000.

Wuxi Shengye computed its gearing ratio by its borrowings minus its cash and cash equivalents over its total equity. The gearing ratio of Wuxi Shengye at the end of each of the three years of 2014, 2015 and 2016 is as follows:–

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing borrowing	2,320	2,320	2,320
Cash and cash equivalents	(3,244)	(1,841)	(2)
Net debts	(924)	479	2,318
Total equity	376,539	372,212	274,214
Gearing ratio (%)	(0.25)	0.13	0.85

FOREIGN CURRENCY EXPOSURE

As Wuxi Shengye's monetary assets and liabilities are all denominated in RMB and Wuxi Shengye conducts its business transactions only in RMB, the currency risk of Wuxi Shengye is remote and Wuxi Shengye does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

Wuxi Shengye did not have material contingent liabilities as at 31 December 2014, 31 December 2015, 31 December 2016 respectively.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2016 of the property interest of the Target Company.

24 March 2017

AVISTA Valuation Advisory
艾 華 迪 評 估 咨 詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

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The Board of Directors
Applied Development Holdings Limited
Suite 1801
West Tower
Shun Tak Centre
168-200 Connnaught Road
Central
Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Applied Development Holdings Limited ("Applied Development" or the "Company") for us to carry out the valuation of the property interest held by Wuxi Shengye Haigang Joint Stock Company Limited* ("無錫盛業海港股份有限公司") (the "Target Company"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 December 2016 (the "Date of Valuation").

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

BASIS OF VALUATION

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

Our valuations also exclude potential tax liability which might arise if the assets were to be sold at the valuation date, including but not limited to profit tax, business tax, land appreciation tax, capital gain tax and any other relevant taxes prevailing at the valuation date.

VALUATION METHODOLOGY

In valuing the property interest of the development, the property interest is currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Target Company. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the market approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the reminder of cost and fees that expected to be incurred for completing the development.

TITLE INVESTIGATION

We have been provided by the Target Company with copy of extract of the documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser – Jiangsu Jiurun Law Firm, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Ken Feng (Assistant Manager, Real Estate Appraiser) and Jim Du (Analyst), during the period from 11 January 2017 to 12 January 2017. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the property is free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Target Company or the legal or other professional advisers or the Company on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Company or the Company. We have also sought confirmation from the Target Company or the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the Date of Valuation. We have also assumed that there was not any material change of the properties in between dates of our inspection and the Date of Valuation.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interest held by Target Company under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016 *RMB*
The side of Tianhe Road, Tianyi New Town, Huishan District, Wuxi City, Jiangsu Province, the PRC	The Property comprises a parcel of land with a total site area of approximately 29,326.00 sq.m. and a commercial complex which is currently being constructed thereon. The development is scheduled to be completed in August 2018. As confirmed by Company, upon completion, the development will have a total gross floor area of approximately 191,983.72 sq.m.	As at the date of valuation, the property is currently suspension of construction. As confirmed by the Target Company, the suspension of construction work has commenced from May 2016.	659,000,000 (100% interest attributable to the Target Company: RMB659,000,000)

	Gross Floor Area *(sq.m.)*
Office	
– Block 1#	29,841.50
– Block 2#	29,842.28
– Block 4#	23,455.96
Sub-total	**83,139.74**
Commercial	
– Block 1#	6,249.03
– Block 2#	883.42
– Block 3#	4,575.94
– Block 4#	3,029.64
– Block 5#	30,283.40
– Underground	15,090.87
Sub-total	**60,112.30**
Ancillary	
– Ancillary	1,081.50
– Underground Area	47,650.18
Sub-total	**48,731.68**
Total	**191,983.72**

As advised by the Target Company, the total construction cost is estimated to be approximately RMB783,487,000 of which RMB127,232,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for the terms expiring on 29th September 2053 for commercial use.

Notes:

i. Pursuant to the State-owned Land Use Rights Grant Contract dated 23 April 2013, the land use rights of a parcel of land with a site area of approximately 29,326.00 sq.m. have been contracted to be granted to Wuxi Shengye Haigang Joint Stock Company Limited* ("無錫盛業海港股份有限公司") for commercial use at a total land premium of RMB117,930,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≧4.0, ≦4.5
Site Coverage:	<55%

ii. Pursuant to the Supplemental Agreement of the State-owned Land Use Rights Grant Contract dated 23 April 2013, the land premium of RMB117,930,000 which contained the lowest limit of the plot ratio (which is 4.0). However, if the final confirmation of the construction works planning is above the lowest limit but not excess the highest limit of the plot ratio (which is 4.5) by the local government, the Target Company has to pay addition land premium.

iii. Pursuant to the State-owned Land Use Rights Certificate – Xi Hui Guo Yong (2014) Di No 001785 dated 10 March 2014, the land use rights of a parcel of land with a site area of approximately 29,326.00 sq.m. has been granted to Wuxi Shengye Haigang Joint Stock Company Limited* ("無錫盛業海港股份有限公司") for a term expiring on 29 September 2053 for commercial use.

iv. Pursuant to the Construction Land Planning Permit – Di Zi Di No. 320206201300080 in favour of Wuxi Shengye Haigang Joint Stock Company Limited* ("無錫盛業海港股份有限公司"), permission towards the planning of a parcel of land with a total site area of approximately 56,714.00 sq.m. The subject site area contained the land parcel of the development which is approximately 29,326.00 sq.m. and the other site area of approximately 27,388.00 sq.m. which has been handled over to government.

v. Pursuant to the following 2 numbers of Construction Works Planning Permits in favour of Wuxi Shengye Haigang Joint Stock Company Limited* ("無錫盛業海港股份有限公司"), the development with a total gross floor area of approximately 195,686.00 sq.m. have been approved for construction, with the detail information as follow:

No.	**Construction Works Planning Permit**	**Construction Works Description**	**Gross Floor Area** *(sq.m.)*	**Date of Issue**
1	Jian Zi Di No. 320206201500049	XDG-2012-15 號地塊商業辦公項目(A1塊)	132,998.00	30-Mar-15
2	Jian Zi Di No. 320206201400098	XDG-2012-15 號地塊商業辦公項目(A1塊地下室)	62,688.00	12-Jun-14

As advised by the Target Company, the development scale of the property which has been revised and the most update development scale is approximately 191,983.72 sq.m.

vi. Pursuant to the following 2 numbers of Construction Works Commencement Permits in favour of Wuxi Shengye Haigang Joint Stock Company Limited* ("無錫盛業海港股份有限公司"), permission by the relevant local authority has been given to commence the construction work with a total gross floor area of approximately 195,686.00 sq.m. for the development, with the detail information as follow:

No.	**Construction Works Commencement Permit**	**Construction Works Description**	**Gross Floor Area** *(sq.m.)*	**Date of Issue**
1	No. 32020620140163	XDG-2012-15 號地塊商業辦公項目(A1塊地下室)	62,688.00	14-Oct-14
2	No. 32020620140201	XDG-2012-15 號地塊商業辦公項目(A1塊)	132,998.00	25-Nov-14

As advised by the Target Company, the development scale of the property which has been revised and the most update development scale is approximately 191,983.72 sq.m.

vii. Pursuant to the following 2 numbers of Pre-sales Permits in favour of Wuxi Shengye Haigang Joint Stock Company Limited* ("無錫盛業海港股份有限公司"), which is entitled to sell the properties with the detail information as follow:

Pre-sales Permit	**Property Name**	**Usage**	**Gross Floor Area** *(sq.m.)*	**Date of Issue**
(2015) Hui Yu Xiao Zhun Zi Di No. 17	Block 2# & 5#	Commercial & Office	61,009.10	25-Sep-15

viii. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Pursuant to the State-owned Land Use Rights Grant Contract signed by Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) and Wuxi Municipal Bureau of Land and Resources, while the development cannot be completed by 31 March 2017. The Target company has the right to apply for application of postponement before 30 days of the contacted date of completion. However, the application will be subjected to the government final approval, otherwise the Target Company will be charged a penalty 0.1% per day of the total land premium.

b. Pursuant to the "建築工程施工許可管理辦法", Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) has to apply for resumption of construction to the government for the property. As provided by the Target Company, the land parcel has been occupied, the suspension of construction generally does not have penalties by the local government.

c. If the construction work of development has been suspended for more than one year then the Construction Works Commencement Permit has to be applied for renewal.

d. Refers to the note number ii that approximate additional land premium RMB19,000,000 might need to be paid due to the development scale of the plot ratio is up to 4.41 at the date of valuation, therefore, the land premium will be subjected to the final confirmation by the government.

e. The property has not been pledged, frozen and/or seized. The litigations of the Target Company wound not affected the ownership of the property. The property has the right to transfer, pledge, lease and/or occupy. However, pursuant to the Contract Law of the People's Republic of China, the contractor is entitled to apply to the court for auction of the property to settle the outstanding payment from the owned.

ix. A summary of major certificates/licenses is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Works Planning Permit	Yes
d.	Construction Works Commencement Permit	Yes
e.	Pre-sales Permit	Partial (Block 2, 5)

x. In our valuation, we have made reference to the transaction record of the development and some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB7,000 – 8,000/sq.m. for office, and RMB7,000 – 18,000/sq.m. for commercial if completed.

xi. The reference value of the property, as if completed as at the date of valuation under the development proposals as described above and assuming it can be freely transferred in the market would be approximately RMB1,243,600,000.

xii. As confirmed by the Target Company, no condition has been imposed by the relevant authority as to construction of roadways, pathways, drainage, sewage and other facilities or services for public use.

* *for identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or its associated corporation(s) (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("**Model Code**") set out in Appendix 10 of the Listing Rules, were as follows:

Interests in the Shares or underlying shares

Name of Director	Name of company in which interests were held	Beneficially owned	Number of Shares held by controlled corporation	Total	Approximate % of issued Shares
Ng Kit Ling	The Company	15,000	–	15,000	0.001%

As at the Latest Practicable Date, none of the Directors were interested in any share options granted under the share option scheme of the Company adopted on 15 November 2012.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

(b) Substantial Shareholders' interests

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Rich Unicorn Holdings Limited ("**Rich Unicorn**"), a company incorporated in British Virgin Islands with limited liability, beneficially owned 559,865,959 Shares, representing approximately 26.82% of the total issued share capital of the Company. Rich Unicorn is wholly owned by Fullshare Holdings Limited ("**Fullshare**"), a listed company in Hong Kong (stock code: 607). Magnolia Wealth International Limited ("**Magnolia Wealth**") directly holds 9,188,860,454 shares in Fullshare, representing approximately 46.58% of the issued share capital of Fullshare. Magnolia Wealth is also wholly owned by Mr. Ji Changqun. Mr. Ji is personally interested in 937,910,000 shares in Fullshare. Accordingly, Mr. Ji is directly and indirectly interested in a total of 10,126,770,454 shares in Fullshare, representing approximately 51.33% of the issued share capital of Fullshare as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Wang Bo, a non-executive Director and Chairman of the Company, Mr. Yuen Chi Ping, an executive Director and chief executive officer of the Company, and Mr. Lau Chi Keung, an independent non-executive Director, are also an executive director, chief operating officer and an independent non-executive director of Fullshare, respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, (i) based on the register maintained by the Company pursuant to Part XV of the SFO, no persons (not being a Director or chief executive of the Company) had any interest, directly or indirectly, or short position in the Shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, nor were recorded in the register required to be kept by the Company under section 336 of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital; and (ii) none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

(a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group; and

(b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2016, the date to which the latest published audited consolidated financial statements of the Company were made up.

5. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and which is or may be material:

(a) the Share Transfer Agreement;

(b) a capital injection agreement dated 23 January 2017 entered into among (i) the Company, (ii) Nantong Ronghui Property Development Limited and Herong Holdings Group Limited (both being originals shareholders of Yancheng Herong Property Development Limited ("**Yancheng Herong**")) and (iii) Yancheng Herong, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital of RMB150,000,000 into Yancheng Herong by way of cash contribution;

(c) a subscription agreement dated 12 December 2016 entered into among (i) Applied Investment (Asia) Limited ("**Applied Investment**"); (ii) China Tian Yuan International Finance Limited ("**Tian Yuan**"); and (iii) Wealth Guide Global Limited (the "**JV**") pursuant to which (i) the JV agrees to issue 99 new shares and meanwhile, Tian Yuan and Applied Investment agree to subscribe for 79 new shares at US$79.00 and 20 new shares at US$20.00 respectively and thereby to own 80% and 20% respectively of the JV's enlarged equity interest and (ii) Applied Investment agrees to provide the interest-free and security-free shareholder's loan of HK$200 million to the JV upon completion;

(d) a loan agreement dated 18 October 2016 entered into between the Company (as lender) and BP Finance (HK) Limited (as borrower) pursuant to which the Company has agreed to provide a loan of HK$220,000,000 to the borrower;

(e) a purchase agreement dated 8 April 2016 entered into among Mr. Kuk Po Shun (as vendor) and Advantage Performance Limited (a wholly-owned subsidiary of the Company) (as purchaser) pursuant to which the vendor has conditionally agreed to sell and the purchaser has conditionally agreed to purchase (i) 1 ordinary share of US$1.00 each in Legacy Billion Limited ("**Legacy Billion**"), representing the entire issued share capital of Legacy Billion; and (ii) the shareholder's loan in the amount of HK$37,235,240 advanced by the vendor to Legacy Billion at a total consideration of HK$39,882,840;

(f) a provisional sale and purchase agreement dated 4 February 2016 and a formal sale and purchase agreement dated 29 February 2016 entered into between Applied Hong Kong Properties Limited (an indirect wholly-owned subsidiary of the Company) as purchaser and Hong Kong EECP Centre Limited as vendor in relation to the acquisition of an office unit at office No. 3316 on 33rd Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong at a cash consideration of HK$47,148,000;

(g) a sale and purchase agreement dated 27 January 2016 entered into among (i) Applied Investment and Applied International Holdings Limited (each a wholly-owned subsidiary of the Company, together as the vendors); (ii) Horoy Qianhai International Holdings Limited (as the purchaser); (iii) Severn Villa Limited (a former indirect wholly-owned subsidiary of the Company before the disposal (as the "**Target**"); and (iv) the Company (as the vendors' guarantor), pursuant to which (i) the vendors have conditionally agreed to sell, and the purchaser has conditionally agreed to purchase the entire issued share capital of the Target; and (ii) Applied Investment has conditionally agreed to sell and the purchaser has conditionally agreed to purchase a shareholder's loan owing by the Target to Applied Investment as at the completion date, at a total consideration of HK$636,800,000;

(h) a placing agreement dated 15 December 2015 entered into between the Company and Get Nice Securities Limited as placing agent for the placing of an aggregate of 347,930,000 Shares at a price of HK$0.32 per Share; and

(i) an agreement dated 9 November 2015 entered into between the Company and Glory Paradise Group Limited in relation to the disposal of the entire issued share capital of and shareholder's loan to Applied Enterprises Limited and Beachside Investments Limited at a total consideration of HK$255,000,000.

6. LITIGATION

During the year ended 31 December 2013 and for the three years ended 31 December 2014, 2015 and 2016, the Target Company entered several agreements (the "**Construction Agreements**") with a contractor (the "**Contractor**") for construction work of the properties under development.

In June 2016, the Contractor submitted an application for civil case proceedings at Jiangsu Wuxi Intermediate People's Court for termination of the Construction Agreements with effect from 7 June 2016, and claiming for outstanding receivable from the Target Company (the "**Construction Cost**") of approximately RMB170 million together with related interest, refund of guarantee deposit of RMB20 million and being the first rank of creditors among all creditors.

Based on the legal opinion of the Target Company's PRC lawyers, the Target Company is of the opinion that it should only be liable for the Construction Cost, which is recognised in the financial information of the Target Company. The final cost incurred is still subject to consultancy report issued by an independent registered engineer. As at 31 December 2016, the account payable balance to the Contractor recognised in the statement of financial position of the Target Company was approximately RMB170 million. Such litigation of the Target Company would not affect the ownership of the property owned by it.

The Board noted the provision of such Construction Cost in the amount of approximately RMB170 million has been made and disclosed in Appendix II to this circular. As of 31 December 2016, the total liabilities of Wuxi Shengye is approximately RMB194 million of which approximately RMB170 million is the Construction Cost, and Wuxi Shengye does not pledge its assets for any bank loan or borrowing. The Company will procure Wuxi Shengye to apply for bank loans to repay such Construction Cost and for general working capital of Wuxi Shengye after the completion of the Wuxi Shengye Acquisition. Since (i) the result of the litigation is still pending as at the Latest Practicable Date, and the Contractor does not have right to apply for auction in this stage; (ii) Wuxi Shengye is able to repay such Construction Cost after completion of the Wuxi Shengye Acqusition through debt financing or its cashflow generated from the operating activities; and (iii) the representative of the Company and the Target Company have been discussing with the Contractor in order to come up with a mutually-agreed payment schedule to settle the Construction Cost amicably, the Board is of the view that the litigation will not have material adverse impact on the operation of Wuxi Shengye.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

8. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
AVISTA Valuation Advisory Limited ("**AVISTA**")	Independent property valuer
Mazars CPA Limited ("**Mazars**")	Certified Public Accountants
JIANGSU JIURUN LAW Firm ("**Jiangsu Jiurun**")	PRC legal adviser

Each of AVISTA, Mazars and Jiangsu Jiurun has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, each of AVISTA, Mazars and Jiangsu Jiurun had no shareholding directly or indirectly in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, nor did it have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2016, the date to which the latest published audited financial statements of the Company were made up.

9. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda;

(b) the branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, which situates at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong;

(c) the company secretary of the Company is Ms. Ng Kit Ling, who is an Executive Director and a director of various subsidiaries of the Company, she is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants in the United Kingdom, she also holds a Master of Science in Accountancy degree from The Hong Kong Polytechnic University; and

(d) in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 1801, 18/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the interim report of the Company for the six months ended 31 December 2016;

(c) the annual reports of the Company for the three financial years ended 30 June 2014, 2015 and 2016 respectively;

(d) the accountant's reports of Wuxi Shengye, the text of which is set out in Appendix II of this circular;

(e) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;

(f) the valuation report issued by the Valuer, the text of which is set out in Appendix V of this circular;

(g) the PRC legal opinion issued by Jiangsu Jiurun;

(h) the written consent referred to in the section headed "Experts' Qualification and Consent" in this appendix;

(i) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(j) the Share Transfer Agreement; and

(k) this circular.

APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**Meeting**") of Applied Development Holdings Limited (the "**Company**") will be held at The Boardroom (Basement 2), The Wharney Guang Dong Hotel Hong Kong, 57 – 73 Lockhart Road, Wanchai, Hong Kong on Tuesday, 18 April 2017 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the share transfer agreement dated 24 February 2017 (the "**Share Transfer Agreement**") entered into amongst (i) the Company (as the purchaser), (ii) National Trust* (國民信託有限公司) ("**National Trust**") and Mr. Wang (each as a vendor), and (iii) Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) ("**Wuxi Shengye**"), pursuant to which the Company (or indirectly through its subsidiary) has conditionally agreed to purchase, and National Trust and Mr. Wang have conditionally agreed to sell 99% and 1% equity interest in Wuxi Shengye respectively, at a total consideration of RMB234,000,000, a copy of which is produced to the Meeting and initialed by the chairman of the Meeting for the purpose of identification, and the terms and conditions of the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company be and is/are hereby authorised to do all other acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where execution under seal is required) and to do such acts and things and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the Share Transfer Agreement and the transactions contemplated thereunder."

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

Hong Kong, 24 March 2017

* *for identification purpose only*

Non-executive Director:
Mr. Wang Bo *(Chairman)*

Executive Directors:
Mr. Yuen Chi Ping *(Chief Executive Officer)*
Ms. Ng Kit Ling

Independent non-executive Directors:
Mr. Lau Chi Keung
Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 1801, 18/F
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Meeting.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

3. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish. In such event, the instrument appointing such a proxy shall be deemed to be revoked.

4. The register of members of the Company will be closed from Tuesday, 11 April 2017 to Tuesday, 18 April 2017 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the Meeting, during which period no transfer of Share(s) will be registered. In order to be eligible to attend and vote at the Meeting, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 April 2017. Shareholders whose names appear on the register of members of the Company on Tuesday, 18 April 2017 shall be entitled to attend and vote at the Meeting.

5. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority shall be deposited at the principal place of business of the Company in Hong Kong at Unit 1801, 18/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the Meeting or adjourned meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

6. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the Meeting in person or by proxy, the persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

7. The ordinary resolution set out herein and to be passed at the Meeting will be taken by way of poll.

8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 9:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of the Company at www.applieddev.com and on the HKExnews website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.

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