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APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

**(1) PROPOSED ISSUE OF NEW SHARES UNDER
SPECIFIC MANDATE; AND
(2) CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF NEW SHARES UNDER
SPECIFIC MANDATE**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



**PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

The Board is pleased to announce that, on 26 July 2023 (after the Stock Exchange trading hours), the Company (as the issuer) entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 550,000,000 Subscription Shares at the Subscription Price.

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Subscriber is a company wholly-owned by Mr. Wu, the Chairman, the Acting Chief Executive Officer, an executive Director and a substantial shareholder of the Company, thus it is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transaction contemplated under the Subscription Agreement shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder.

The SGM will be convened and held to consider, and if thought fit, approve the Subscription Agreement and the transaction contemplated thereunder, and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. A circular containing, among others, (i) further details of the Subscription Agreement and the transaction contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; and (iv) a notice of convening the SGM, is expected to be despatched to the Shareholders on or before 17 August 2023.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

China Sunrise Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder.

Given that completion of the Subscription is subject to conditions and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

The Board is pleased to announce that, on 26 July 2023 (after the Stock Exchange trading hours), the Company (as the issuer) entered into the Subscription Agreement with the Subscriber, pursuant to the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 550,000,000 Subscription Shares at the Subscription Price.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are as follows:

Date: 26 July 2023 (after the Stock Exchange trading hours)

Parties to the Subscription Agreement:

- (1) the Company (as the issuer); and
- (2) the Subscriber.

The Subscription

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 550,000,000 Subscription Shares at the Subscription Price on the Completion Date.

The Subscription Shares

The Subscription Shares represent (i) approximately 21.96% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 18.00% of the total number of issued Shares as enlarged by the proposed allotment and issue of the Subscription Shares (assuming that there is no change in the total number of issued Shares from the date of this announcement to the Completion Date, save for the proposed allotment and issue of the Subscription Shares). The aggregate nominal value of the Subscription Shares will be HK\$5,500,000.

Rights of the Subscription Shares

The Subscription Shares will be fully paid and rank *pari passu* with all other issued Shares in all respects as at the date of allotment and issue.

The Subscription Price

The Subscription Price is HK\$0.068 per Subscription Share, and the aggregate Subscription Price of the Subscription Shares of HK\$37,400,000 will be paid by the Subscriber on the Completion Date.

The Subscription Price represents:

- (i) a discount of approximately 17% over the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 19% to the average of the closing prices of approximately HK\$0.084 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was arrived after arm's length negotiations between the Company and the Subscriber and was determined with reference to the recent market prices of the Shares and the prevailing market conditions.

Conditions Precedent

The Completion of the Subscription is conditional upon the fulfilment or waiver of the following conditions:

- (i) the approval by the Independent Shareholders at the SGM in respect of the Subscription Agreement and the transaction contemplated thereunder, and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares;
- (ii) the Listing Committee having granted the approval for the listing of, and the permission to deal in, the Subscription Shares;

- (iii) (if applicable) obtaining all necessary approvals from and making all necessary filings (save for any filing to be made after the Completion) with any government, regulatory authority or any other person in connection with the entering into and performing the obligations under the Subscription Agreement by the Company (including the allotment and issue of the Subscription Shares);
- (iv) the representations and warranties of the Company under the Subscription Agreement being true, accurate and not misleading in all material respects as at the date of the Subscription Agreement and the Completion Date, and the Company having fully performed its obligations under the Subscription Agreement prior to and on the Completion Date;
- (v) the representations and warranties of the Subscriber under the Subscription Agreement being true, accurate and not misleading in all material respects as at the date of the Subscription Agreement and the Completion Date, and the Subscriber having fully performed its obligations under the Subscription Agreement prior to and on the Completion Date; and
- (vi) the listing of the Shares has not been revoked and the Shares continue to be listed on the Stock Exchange (except for any trading halt or suspension pending the publication of any announcement in respect of the Subscription).

If the above conditions are not fulfilled or waived (the conditions (i) to (iii) above cannot be waived, the conditions (iv) and (vi) can be waived by the Subscriber only, and the condition (v) can be waived by the Company only) after 180 days of the date of the Subscription Agreement (or such other date as may be agreed in writing between the Company and the Subscriber), the Subscriber's obligation to subscribe for and the Company's obligation to allot, issue and deliver the Subscription Shares shall terminate and any amounts paid by the Subscriber under the Subscription Agreement shall be refunded to the Subscriber without interest and the Subscription Agreement shall be terminated and lapsed.

Completion

Completion for the Subscription shall take place on the third Business Day (or such other date as the parties to thereto may agree in writing) after the date on which the last of the conditions precedent is satisfied or waived (if applicable).

Lock-up Undertakings

The Subscriber unconditionally and irrevocably undertake to the Company that:

- (i) the Subscriber shall not, without the prior written consent of the Company, at any time during the period of six (6) months from the Completion Date directly or indirectly, dispose of any Subscription Shares or dispose of any interest in any company or entity holding any Subscription Shares in any manner whatsoever or publicly announce any intention or enter into any transaction with the same economic effect, directly or indirectly; and
- (ii) if the Subscriber dispose of any Subscription Shares at any time after a period of six (6) months from the Completion Date, the Subscriber shall ensure that such disposal complies with all applicable laws (including the Listing Rules) and will use its best endeavours that any such disposal will not create a disorderly or false market in the Shares.

ISSUE THE SUBSCRIPTION SHARES UNDER THE SPECIFIC MANDATE

The Subscriptions Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the SGM.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in the Bermuda with limited liability and it is an investment holding company. The Group is principally engaged in resort and property development, property investment and investment holding.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liabilities and is principally engaged in investment holding. The Subscriber is a company wholly-owned by Mr. Wu, the Chairman, the Acting Chief Executive Officer, an executive Director and a substantial shareholder of the Company, and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Subscriber is a company wholly-owned by Mr. Wu, the Chairman, the Acting Chief Executive Officer, an executive Director and a substantial shareholder of the Company, thus it is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transaction contemplated under the Subscription Agreement shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder.

The SGM will be convened and held to consider, and if thought fit, approve the Subscription Agreement and the transaction contemplated thereunder, and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. As at the date of this announcement, Mr. Wu held 279,935,000 Shares, representing approximately 11.17% of the total number of issued Shares. As Mr. Wu is considered to have a material interest in the Subscription, he is required to abstain from voting on the relevant resolutions to approve the Subscription Agreement and the transaction contemplated thereunder, and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares at the SGM to be convened by the Company. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription, and is required to abstain from voting on the relevant resolutions to approve the aforesaid matters at the SGM.

A circular containing, among others, (i) further details of the Subscription Agreement and the transaction contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; and (iv) a notice of convening the SGM, is expected to be despatched to the Shareholders on or before 17 August 2023.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion, assuming that there is no change in the total number of issued Shares from the date of this announcement to the Completion Date, save for the proposed allotment and issue of Subscription Shares:

	As at the date of this announcement		Immediately after the Completion	
	<i>Number of Shares held</i>	<i>Approximate % of total number of Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of total number of Shares in issue</i>
Mr. Wu and his associates				
– Mr. Wu	279,935,000	11.17%	279,935,000	9.16%
– the Subscriber	–	–	550,000,000	18.00%
Sub-total	279,935,000	11.17%	829,935,000	27.17%
Ms. Li Fuyi	279,930,959	11.17%	279,930,959	9.16%
Other public Shareholders	1,945,239,780	77.65%	1,945,239,780	63.67%
Total	<u>2,505,105,739</u>	<u>100.00%</u>	<u>3,055,105,739</u>	<u>100.00%</u>

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company considers that the Subscription will raise additional funds for the Group's business operations, replenishes its working capital and improve the financial position of the Group for its future development and prospects. In addition, it will provide the Company with capital for new investment opportunities to broaden the revenue and profit potential of the Group and enhance Shareholders' value in long term. In light of the prevailing financial conditions of the Group, the Board considers the Subscription to be a suitable financial option as compared to other means of financing as it enables the Group to raise capital in an efficient manner without increasing interest burden on the Group.

The gross proceeds of the Subscription is expected to be HK\$37,400,000. After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$36,558,000, representing a net Subscription Price of approximately HK\$0.066 per Subscription Share. The Company intends to utilise the aforesaid net proceeds from the Subscription as follows: (i) approximately HK\$26,558,000 will be used for the general working capital of the Group; and (ii) approximately HK\$10,000,000 will be used for potential investment opportunities as identified by the Group from time to time.

Mr. Wu is regarded as interested in the Subscription and has abstained from approving the relevant Board resolutions in respect of the Subscription Agreement and the transaction contemplated thereunder. Save as disclosed above, none of the Directors is regarded as having a material interest in the Subscription or is required to abstain from approving the relevant Board resolutions relating to the Subscription and the transaction contemplated thereunder.

In respect of the Subscription, the Directors (excluding (i) the independent non-executive Directors whose opinions will be provided after taking into consideration the advice from the Independent Financial Adviser; and (ii) Mr. Wu, who has a material interest in the Subscription and abstained from voting) are of the view that the Subscription Agreement (including the Subscription Price) are made on normal commercial terms, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

China Sunrise Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder.

Given that completion of the Subscription is subject to conditions and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the meanings assigned:

“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday, or other public holidays in Hong Kong, or a day on which a tropical cyclone warning signal numbered 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in the PRC and Hong Kong are open for business
“Company”	Applied Development Holdings Limited 實力建業集團有限公司*, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 519)
“Completion”	completion of the Subscription
“Completion Date”	the date of the Completion, being the third Business Day (or such other date as the parties to thereto may agree in writing) after the date on which the last of the conditions precedent is satisfied or waived (if applicable)
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder
“Independent Financial Adviser” or “China Sunrise Capital”	China Sunrise Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders other than those required under the Listing Rules to abstain from voting on the resolutions to be proposed at the SGM
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Zhanming, the Chairman, the Acting Chief Executive Officer, an executive Director and a substantial shareholder of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve resolutions in relation to the Subscription Agreement and the transaction contemplated thereunder, and the Specific Mandate
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to grant the authority to the Board for the proposed allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ruixing Investments Limited, a company incorporated in the British Virgin Islands with limited liabilities and wholly-owned by Mr. Wu
“Subscription Agreement”	the Subscription Agreement dated 26 July 2023 and entered into between the Company (as the issuer) and the Subscriber
“Subscription Price”	HK\$0.068 per Subscription Share
“Subscription Share(s)”	550,000,000 new Shares to be subscribed by the Subscriber under the Subscription Agreement and to be issued under the Specific Mandate
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement

“substantial shareholder” has the meaning ascribed thereto in the Listing Rules

“%” per cent.

By order of the Board
Applied Development Holdings Limited
Wu Tao
Executive Director

Hong Kong, 26 July 2023

As at the date of this announcement, the executive Directors are Mr. Wu Zhanming (Chairman and Acting Chief Executive Officer) and Mr. Wu Tao; and the independent non-executive Directors are Mr. Yu Tat Chi, Michael, Mr. Zhu Xinhui and Dr. Chan Kin Keung Eugene SBS, BBS, JP.

** For identification purposes only*

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