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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 or other registered dealer in securities, 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 and the accompanying 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 the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Applied Development Holdings Limited.



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;
(2) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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



Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular unless the context otherwise requires.

This circular is despatched together with a notice convening the SGM to be held at 11:00 a.m. on 19 October 2023 (Thursday) at Empire Room 1, 1/F, Empire Hotel Hong Kong • Wanchai, 33 Hennessy Road, Wanchai, Hong Kong set out on pages 53 to 55 of this circular. A form of proxy for use at the SGM is also 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 office of the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM (i.e. before 11:00 a.m. on 17 October 2023 (Tuesday)) or any adjournment thereof (as the case maybe). 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.

28 September 2023

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 26 July 2023 in relation to, among others, the Subscription
“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 transactions contemplated thereunder

DEFINITIONS

“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 transactions 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
“Last Trading Day”	25 July 2023, being the last trading day prior to the signing of the Subscription Agreement
“Latest Practicable Date”	22 September 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 circular 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)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened and held at 11:00 a.m. on 19 October 2023 (Thursday) at Empire Room 1, 1/F, Empire Hotel Hong Kong • Wanchai, 33 Hennessy Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, which are contained in the notice of the SGM set out on pages 53 to 55 of this circular, or any adjournment thereof
“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
“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”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“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
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

Executive Directors:

Mr. Wu Zhanming (*Chairman and
Acting Chief Executive Officer*)

Mr. Wu Tao

Independent non-executive Directors:

Mr. Yu Tat Chi, Michael

Mr. Zhu Xinhui

Dr. Chan Kin Keung Eugene *SBS, BBS, JP*

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of
business in Hong Kong:*

Unit 2408A, 24th Floor
Tower 1, Lippo Centre
89 Queensway
Hong Kong

28 September 2023

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

Reference is made to the Announcement in relation to the Subscription Agreement entered into between the Company (as the issuer) and 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.

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription Agreement and the transactions 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; (iv) a notice of convening the SGM; and (v) other information as required under the Listing Rules.

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 transactions contemplated thereunder.

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 Latest Practicable Date; 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 Latest Practicable Date 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.

LETTER FROM THE BOARD

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% to the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (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 (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 20% to the average of the closing price of approximately HK\$0.085 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 16% to the closing price of approximately HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 79% to the unaudited net asset value per Share of approximately HK\$0.33 per Share based on (a) the unaudited net assets of approximately HK\$825,529,000 as at 31 December 2022; and (b) 2,505,105,739 issued Shares as at the Latest Practicable Date.

The Subscription Price was arrived after arm's length negotiations between the Company and the Subscriber where the Company has taken the following factors into consideration:

- (i) during the period from 27 July 2022 to 26 July 2023, being a period of approximately twelve months up to the date of Subscription Agreement (the "**Review Period**"), the market prices of the Shares as quoted on the Stock Exchange fluctuated and the highest and lowest closing prices of the Shares during the Review Period was HK\$0.108 as recorded on 19 and 20 August 2022 and HK\$0.054 as recorded on 23 May 2023, respectively, with the average closing price of the Shares of HK\$0.084 which was same as the closing price of the Shares on the date of the Subscription Agreement. The Subscription Price represents a discount of approximately 19% to the average closing price of the Shares during the Review Period. In addition, as set out above, the Subscription Price represents a discount of approximately 17%, 19% and 20%, over the closing price of the Shares on the date of the Subscription Agreement, for the last five (5) consecutive trading days up to and including the Last Trading Day, and for the last ten (10) consecutive trading days up to and including the Last Trading Day, respectively. Having considered the scale of the Subscription, the benefits of the

LETTER FROM THE BOARD

Subscription which were discussed in the section headed “Reasons for the Subscription and Use of Proceeds” in this letter from the Board, and the prevailing market conditions which were discussed below, the Board considered that the Subscription Price has been set at a reasonable discount to the recent market prices of the Shares and the average closing price of the Shares during the Review Period;

- (ii) despite the fact that the Subscription Price represents a discount of approximately 79% over the unaudited net asset value per Share as at 31 December 2022, the Company noted that the prices of the Shares had at all times represented a significant discount to the net asset value per Share for the past three years. In particular, during the Review Period, the prices of the Shares represented a discount, ranging from approximately 69% to 84% to the then net asset value per Share. The principal business of the Group is resort and property development, property investment and investment holding. In recent years, the debt crisis faced by Chinese property developers has affected the sentiment in China’s property market, which has adversely affected the potential investors’ interest in the shares of Chinese property developers, leading to continuing declines in the share prices and market valuations of real estate sectors and many real estate companies have a stock price below their net asset value per share;
- (iii) with reference to the trading liquidity of the Shares, during the Review Period, according to the daily trading volume downloaded from the website of the Stock Exchange, the percentage of the average daily trading volume of the Shares by period/month were (a) in the range of less than 0.01% to approximately 0.354% with an average of 0.054% of the total number of issued Shares as at the end of the period/month; and (b) in the range of less than 0.01% to approximately 0.398% with an average of 0.061% of the total number of Shares held by public Shareholders as at the end of the period/month. The statistics showed that the average daily trading liquidity of the Shares was very thin during the Review Period, which may imply a lack of interest from potential public investors in the Shares and as such, the Company may have difficulty in conducting other alternative equity financing with an issue price at a premium over the prevailing market price of the Shares when considering fundraising exercises in the market such as rights issue or open offer; and
- (iv) in respect of the prevailing market conditions, the market sentiment of the Hong Kong stock market has been pessimistic since 2023 due to the uncertainty in the economic recovery after the COVID-19 pandemic and investors’ sentiment in the stock market has been low due to the interest rate hikes by the Federal Reserve of the United States.

LETTER FROM THE BOARD

In light of the factors set out above, the Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the Subscription Price and Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Subscription will result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.6%, represented by the discount of the theoretical diluted price of approximately HK\$0.081 per Share to the benchmarked price of approximately HK\$0.084 per Share, taking into account the higher of (i) the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) the average closing price of approximately HK\$0.084 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the date of the Subscription Agreement.

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 transactions 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 filings 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

LETTER FROM THE BOARD

- (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.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived.

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). The Company may agree to postpone the Completion if the Subscriber is unable to pay the Subscription Price or the Company is unable to allot and issue Shares due to regulatory or administrative reasons. In such a case, the Company will seek the Independent Shareholders' approval on the Subscription again.

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.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

Waiver from strict compliance with the requirements of Rule 14A.70(13) and paragraph 43(2)(c) of Appendix 1B to the Listing Rules

The Company has applied to the Stock Exchange for a waiver from the strict compliance with the requirements of Rule 14A.70(13) and paragraph 43(2)(c) of Appendix 1B to the Listing Rules so as to enable the contact address and email address of Mr. Wu and the signatures of the signing parties and the witnesses to the Subscription Agreement in the Subscription Agreement (the “**Redacted Information**”) be redacted from the Subscription Agreement that will be published on the websites of the Stock Exchange and the Company for a period of 14 days from the date of this circular pursuant to Rule 14A.70(13) and Appendix 1B paragraph 43(2)(c) to the Listing Rules.

LETTER FROM THE BOARD

The Company has applied for a waiver on the grounds that, among other things, the Redacted Information provided for the purpose of the Subscription in the Subscription Agreement is personal data of the relevant individuals, as the Company have not obtained the relevant individuals' express and voluntary consent to publicly disclose the Redacted Information, the disclosure of the Redacted Information might constitute a breach of the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong).

The Stock Exchange has granted a waiver from the strict compliance with the requirements of Rule 14A.70(13) and paragraph 43(2)(c) of Appendix 1B to the Listing Rules, so that only the redacted version of the Subscription Agreement will be available for documents on display. Details of the waiver are set out in the announcement of the Company dated 28 September 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 Latest Practicable Date; and (ii) immediately after the Completion, assuming that there is no change in the total number of issued Shares from the Latest Practicable Date to the Completion Date, save for the proposed allotment and issue of the Subscription Shares:

	As at the Latest Practicable Date		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	9.17%
– 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	<u>1,945,239,780</u>	<u>77.66%</u>	<u>1,945,239,780</u>	<u>63.67%</u>
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 fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company considered that the Subscription will raise additional funds for the Group's business operations, replenish 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 considered 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 Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer and disposal of the assets of the Group. In respect of debt financing, the Company approached three banks in Hong Kong for applying for new loans of meaningful loan size, and the interest rates offered by the banks were approximately 5% subject to their internal review and approval process which may take for three to six months. In addition, given that the Group's available assets have been pledged as collateral to secure certain bank loans, a meaningful loan size offered by the banks would not be on commercially favourable terms. The Board considered that the debt financing would incur additional finance costs such as interest expenses on the Group and involve lengthy due diligence and negotiation with the banks, and therefore a less commercially favourable financing means to the Company. In respect of equity financing such as rights issue or open offer, the Company explored the possibilities of rights issue or open offer by approaching a financial adviser and noted that it is difficult for the Company to identify suitable party to underwrite the rights issue or open offer given the trading liquidity of the Shares in history was relatively thin and the prevailing market conditions, therefore, the exact amount of proceeds to be raised from rights issue or open offer would be highly uncertain and subject to market conditions, and the number of willing shareholders. Further, rights issue or open offer would also involve the engagement of reporting accountants, financial advisers and/or brokerage agent(s), issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs such as placing commission as compared to the Subscription. The Board considered that rights issue and open offer are not feasible fundraising methods due to the uncertain results and potential time and costs incurred. In respect of disposal of the assets of the Group, such as the investment properties and properties held for sales, the Board considered that (i) the Group's investment properties are pledged to secure bank borrowings and bank facilities granted to the Group and part of the proceeds from the disposal of which would involve the repayments of the mortgage loan, such that the Group would be required to dispose more of its investment properties to raise the funding amount similar to the Subscription; and (ii) owing to the recent downturn in property market, the Company may be required to make a deep discount to the market prices of the investment properties or properties held for sales in order to expedite the sales of the properties within a short time frame to raise the funding amount similar to the Subscription, which would in turn reduce the profitability of the Company. Therefore, the Board considered that the disposal of the Group's assets to raise funds is not commercially viable and in the best interest of the Company and the Shareholders. In addition, upon Completion, the aggregate shareholding interest of the existing public Shareholders will be slightly diluted by approximately 13.99% from approximately 77.66% to approximately 63.67%, assuming that there is no other change in the total number of issued Shares between the Latest Practicable Date and the Completion.

LETTER FROM THE BOARD

The gross proceeds of the Subscription are expected to be approximately 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, which includes approximately HK\$10,000,000 for finance costs such as interest expenses on bank and other borrowing and approximately HK\$16,558,000 for administrative expenses such as staff costs, legal and professional fees and other expenses incurred in support of the operating activities, subject to actual business needs; and (ii) approximately HK\$10,000,000 will be used for potential investment opportunities in high-tech industries as identified by the Group from time to time. Depending on actual business needs, it is estimated that the net proceeds of the Subscription will be fully utilized in accordance with its intended purposes within the next two years from the Completion.

The Group has continued to optimize the asset structure and business development quality, and strengthen its own capability to deal with various unfavourable external economic conditions including the increase in interest rate. As disclosed in the Company's interim report for the six months ended 31 December 2022 (the "**2023 Interim Report**"), the Group had net current assets of approximately HK\$585,047,000 and cash and cash equivalents of approximately HK\$49,438,000. For the six months ended 31 December 2022, the Group recorded loss for the period of approximately HK\$25,510,000, principally due to the net decrease in fair value of investment properties of approximately HK\$27,100,000 and the incurred finance costs of approximately HK\$4,540,000 caused by the increase in the effective interest rate. For the six months ended 31 December 2022, the administrative expenses and finance costs of the Group are HK\$11,017,000 and HK\$4,540,000, respectively. In addition, in February 2023, the Group has repaid bank borrowings of approximately HK\$30,000,000, resulting in a decrease in the cash and cash equivalents balance. As at the Latest Practicable Date, the Group had cash and cash equivalents of approximately HK\$21,193,000. Having considered the overall financial position of the Group, including (i) the net losses recorded by the Group for the years ended 30 June 2021 and 2022 and the six months ended 31 December 2022; (ii) the net current asset position and cash and cash equivalents of the Group have been on a declining trend since 30 June 2021; and (iii) the estimated administrative expenses and finance costs to be incurred for the upcoming twelve months in the amount of approximately HK\$24,000,000 and approximately HK\$10,740,000, respectively, which are estimated based on the historical administrative expenses and finance costs of the Group for the year ended 30 June 2023 taking into account the administrative expenses for newly incorporated subsidiaries, possible inflation and possible increase in interest rate of the borrowings; and (iv) the recent pessimism over the property market in China which may slowdown the sale of properties in China, the Board considered that the Subscription, as compared with alternative fundraising methods discussed above, would be a more feasible and the swiftest method to replenish the working capital of the Company with certainty in order to maintaining a healthier level of cash and cash equivalent balance, optimising the Group's financial structure and catering to any unexpected working capital funding need of the Group. The Board considered that upon the utilization of the net proceeds of the Subscription for general working capital of the Group, the Group would have strengthened its working capital base so that it could enjoy higher liquidity in its daily operation and implementation of business strategies.

LETTER FROM THE BOARD

In addition, the Group has continued to seek for new investment opportunities to broaden the revenue and profit potential of the Group and enhance Shareholders' value in long term. As disclosed in the announcement of the Company dated 28 April 2021, the Group has invested in an unlisted investment fund, namely, Huangpu River Capital SPC – Jinshan Segregated Portfolio (the “**Jinshan Segregated Portfolio**”). The investment objective of the Jinshan Segregated Portfolio is capital appreciation by investing the series C preferred stock of Beijing Horizon Robotics Technology Co., Ltd. which is principally engaged in the business of the development and manufacturing of intelligent processors based on artificial intelligence algorithms, the development of relevant software and hardware, and the provision of cloud services. As disclosed in the 2023 Interim Report, the fair value of the Group's investment in the Jinshan Segregated Portfolio increased by approximately HK\$11,665,000, from approximately HK\$36,258,000 as at 30 June 2022 to approximately HK\$47,923,000 as at 31 December 2022. Noting the track records of the Jinshan Segregated Portfolio, the Board considered that the outlook of high-tech industries such as the application of artificial intelligence and robot technology is positive with high potential and hence, the investment in high-tech industries would diversify the investment portfolio of the Company and enhance its profitability. The net proceeds of the Subscription for potential investment opportunities in high-tech industries would provide immediate available funds for the Group to capture and invest in the investment opportunities once identified in a timely manner. The Group have been actively approaching potential investment opportunities in high-tech industries. As at the Latest Practicable Date, the Group has preliminarily approached 2 entities engaged in the development of autonomous driving technology and has been conducting initial assessments and since the above potential investment opportunities are in preliminary stage of discussion, and are subject to further negotiation and the due diligence by the Company, there are no specific investment targets identified with a view to utilizing the net proceeds of the Subscription.

Taking into account (i) the alternative fundraising methods available to the Company as discussed above; (ii) the Subscription is expected to raise proceeds for the Group with a lower cost; and (iii) the proceeds from the Subscription would strengthen the Group's liquidity to meet its daily operation and broaden the revenue and profit potential of the Group, the Board considered that, notwithstanding the potential dilution effect which will arise from the Subscription and the Subscription Price which has been set at a discount to the recent market prices of the Shares, raising funds by way of allotment and issue of the Subscription Shares under Specific Mandate is an appropriate fundraising method currently available to the Company as compared to other alternative fundraising methods and would enable the Company to continue to obtain funds at a lower cost and a shorter timetable, therefore, the Subscription, including its timing and terms, would be in the interests of the Company and its Shareholders as a whole.

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 transactions 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 transactions contemplated thereunder.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Yu Tat Chi, Michael, Mr. Zhu Xinhui and Dr. Chan Kin Keung Eugene *SBS, BBS, JP*, has been formed to advise the Independent Shareholders as to whether (i) the Subscription is in the ordinary and usual course of business of the Group; (ii) the terms of the Subscription are on normal commercial terms and are fair and reasonable; (iii) the Subscription is in the interests of the Company and the Shareholders as a whole; and (iv) the voting on the relevant resolutions in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. 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 this regard.

SGM

The SGM will be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. A notice convening the SGM to be held at 11:00 a.m. on 19 October 2023 (Thursday) at Empire Room 1, 1/F, Empire Hotel Hong Kong • Wanchai, 33 Hennessy Road, Wanchai, Hong Kong is set out on pages 53 to 55 of this circular.

A form of proxy for use at the SGM is also 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 office of the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM (i.e. before 11:00 a.m. on 17 October 2023 (Tuesday)) or any adjournment thereof (as the case maybe). 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.

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the SGM. An announcement on the poll vote results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Mr. Wu, holding 279,935,000 Shares, representing approximately 11.17% of the total number of issued Shares as at the Latest Practicable Date. As Mr. Wu is considered to have a material interest in the Subscription, he is required to abstain from voting in respect of the relevant resolutions approving the Subscription Agreement and the transactions 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 Shareholders 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.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 October 2023 (Monday) to 19 October 2023 (Thursday) (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 the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 October 2023 (Friday). Shareholders whose names appear on the register of members of the Company on 19 October 2023 (Thursday) shall be entitled to attend and vote at the SGM.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular, which contains its recommendation to the Independent Shareholders in respect of (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 19 to 46 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, and the principal factors and reasons considered by it in arriving at its opinions.

In respect of the Subscription, the Directors (including the members of the Independent Board Committee whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular after considering the advice of the Independent Financial Adviser but excluding Mr. Wu, who has a material interest in the Subscription and is required to abstain and has abstained from voting on the relevant resolutions to approve the Subscription Agreement and the transactions contemplated thereunder) are of the view that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM.

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.

Yours faithfully,
By order of the Board
Wu Tao
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

28 September 2023

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 28 September 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. China Sunrise Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter as set out on pages 19 to 46 of the Circular. Your attention is also drawn to the letter from the Board as set out on pages 4 to 16 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement and the situation of the Company, the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we consider that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM.

Yours faithfully
For and on behalf of the
Independent Board Committee

Mr. Yu Tat Chi, Michael

*Independent non-executive
Director*

Mr. Zhu Xinhui

*Independent non-executive
Director*

Dr. Chan Kin Keung Eugene

SBS, BBS, JP

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set Out below is the text of the letter of advice from China Sunrise Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



CHINA SUNRISE CAPITAL LIMITED

Unit 4513, 45th Floor

The Center

99 Queen's Road Central Hong Kong

28 September 2023

*To: The Independent Board Committee, and the Independent Shareholders of
Applied Development Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 28 September 2023 (the “**Circular**”), of which this letter (the “**Letter**”) forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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 of HK\$0.068 per Subscription Share. Details of the Subscription are set out in the Board Letter contained in this Circular. Completion of the Subscription shall take place on the third Business Day (or such other date as the parties thereto may agree in writing) after the date on which the last of the conditions precedent, as referred to in the section headed “Principal Terms of the Subscription Agreement” in the Board Letter, is satisfied or waived (if applicable).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

As at the Latest Practicable Date, 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 transactions 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yu Tat Chi, Michael, Mr. Zhu Xinhui and Dr. Chan Kin Keung, Eugene *SBS, BBS, JP*, has been established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder.

None of the members of the Independent Board Committee has any interest or involvement in the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate). Having obtained and considered the advice from the Independent Financial Adviser, the view and recommendation of the Independent Board Committee in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) are set out in the Letter from the Independent Board Committee in this Circular.

We, China Sunrise Capital Limited (“**China Sunrise**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to:

- (a) whether the Subscription is in the ordinary and usual course of business of the Group;
- (b) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) whether the Subscription is in the interests of the Company and the Shareholders as a whole; and
- (d) the voting on the relevant resolutions in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE OF CHINA SUNRISE

Save for this appointment as the Independent Financial Adviser to provide our independent advice on the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), as at the Latest Practicable Date, China Sunrise did not have any other relationship or connection, financial or otherwise, with or any interests in the Company, or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates that could reasonably be regarded as relevant to our independence. In the last two years, save for the appointment as the Independent Financial Adviser in connection with the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), there was no engagement between the Group and China Sunrise.

Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group, or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) under Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice, we have relied on the truth, accuracy and completeness of the statements, information, facts, representations and opinions contained or referred to in this Circular, provided and made to us by the Directors and management of the Company (collectively, the “**Management**”), the Company, and its advisers. We have reviewed, amongst other things, the Subscription Agreement, the Announcement, the interim report of the Group for the six months ended 31 December 2022 (the “**2023 Interim Report**”), the annual report of the Group for the financial year ended 30 June 2022 (the “**2022 Annual Report**”), the annual report of the Group for the financial year ended 30 June 2021 (the “**2021 Annual Report**”), and other information, representations and opinions as contained or referred to in this Circular and those provided by the Management, the Company and its advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Company. 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 in this Circular or this Circular misleading. We have no reason to suspect that any material information or facts have been omitted or withheld nor to doubt the truth, accuracy or completeness of the information and facts contained in this Circular or provided to us, or the reasonableness of the opinions expressed by the Management, the Company, and its advisers, which have been provided to us. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information and facts supplied and the representations made and opinions expressed by them are not misleading in any material respect.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for us to formulate our advice as set out in this Letter. We have assumed that all statements, information, facts, representations and opinions contained or referred to in this Circular and/or those provided to us by the Management, the Company, and its advisers, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so in all material respect up to the date of the SGM.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this Letter.

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the businesses, affairs, operations, financial position or future prospects of the Group.

Our advice is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of ours is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not used out of context.

This Letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the matters relating to the Subscription. Except for its inclusion in this Circular, this Letter is not to be quoted or referred to, in whole or in part, nor shall this Letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion and recommendations in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background of 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.

2. Financial performance of the Group

Set out below is the summary of the audited financial information of the Group for the two years ended 30 June 2021 (“FY2021”), and 2022 (“FY2022”) and the unaudited financial information of the Group for the six months ended 31 December 2022 (“HY2023”) prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) as extracted from the 2021 Annual Report, the 2022 Annual Report, and the 2023 Interim Report, respectively:

	For the year ended 30 June		For the six months ended	
	2021	2022	31 December	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
Revenue from contracts with customers within HKFRS 15:				
– Sale of properties in the PRC – at a point in time and fixed price	243,327	4,705	1,271	67,970
Revenue from other sources:				
– Gross rental income from investment properties	6,245	4,406	2,196	2,238
– Interest income from financial assets at fair value through profit or loss (“FVPL”)	2,330	1,404	1,178	226
– Dividend income from financial assets at FVPL	2,075	616	560	172
	<u>253,977</u>	<u>11,131</u>	<u>5,205</u>	<u>70,606</u>
Other revenue				
Bank interest income	125	86	46	203
Loan interest income	1,224	2,098	1,080	668
Other	<u>2</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,351</u>	<u>2,184</u>	<u>1,126</u>	<u>871</u>
Total	<u>255,328</u>	<u>13,315</u>	<u>6,331</u>	<u>71,477</u>
Loss for the year, attributable to owners of the Company	<u>(60,227)</u>	<u>(162,877)</u>	<u>(39,707)</u>	<u>(25,510)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between the year ended 30 June 2022 and 2021

The revenue of the Group decreased by approximately HK\$242.8 million, or approximately 95.6%, from approximately HK\$254.0 million for FY2021 to approximately HK\$11.1 million for FY2022. Most of the revenue generated during FY2021 was derived from resort and property development segment, as the properties of Wuxi Shengye were delivered to customers and brought in revenue. The revenue generated from resort and property development segment for FY2022 was approximately HK\$4.7 million (2021: HK\$243.3 million). There was a decrease in revenue because the properties were delivered to customers in bulk for FY2021, while no bulk delivery was arranged for FY2022.

Loss for the year of the Group increased by approximately HK\$102.7 million, or approximately 170.6%, from approximately HK\$60.2 million for FY2021 to approximately HK\$162.9 million for FY2022. The loss for the year for FY2022 mainly included (i) net decrease in fair value of financial assets at FVPL of approximately HK\$128.8 million; and (ii) net decrease in fair value of investment properties of approximately HK\$21.6 million. The Board noted that they were non-cash in nature.

Comparison between the six months ended 31 December 2022 and 2021

The revenue of the Group increased by approximately HK\$65.4 million, or approximately 1,257.7%, from HK\$5.2 million for the six months ended 31 December 2021 (“**HY2022**”) to HK\$70.6 million for the HY2023. Most of revenue generated for the HY2023 was derived from resort and property development segment. The increase was mainly due to the delivery of the properties of Wuxi Shengye to customers in bulk and bringing in revenue for the HY2023, while no bulk delivery was arranged for the HY2022.

Loss for the period of the Group reduced by approximately HK\$14.2 million or approximately 35.8%, from approximately HK\$39.7 million for the HY2022 to approximately HK\$25.5 million for the HY2023. The loss for the HY2023 was mainly attributable to, among others, the net decrease in fair value of investment properties of approximately HK\$27.1 million. The decrease in loss for HY2023 was mainly due to, among others, net impact of (i) an increase in gross profit from approximately HK\$4.0 million for the HY2022 to approximately HK\$15.6 million for the HY2023; (ii) an increase in reversal of impairment loss on loans and interest receivables from approximately HK\$2.0 million for the HY2022 to approximately HK\$8.5 million for the HY2023; (iii) a decrease in fair value loss of financial assets at FVPL from approximately HK\$13.3 million for the HY2022 to approximately HK\$9.1 million for the HY2023; and (iv) an increase in the fair value loss of the Group’s investment properties from approximately HK\$15.5 million for the HY2022 to approximately HK\$27.1 million for the HY2023. The Board noted that the above-mentioned factors (iii) and (iv) were non-cash in nature.

As noted from the above that the Group has been recording losses in recent reporting financial periods.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Financial position of the Group

Set out below is the summary of the Group's financial positions as at 30 June 2021 and 2022 and 31 December 2022, as extracted from and determined based on the 2021 Annual Report, the 2022 Annual Report and the 2023 Interim Report, respectively:

	As at 30 June		As at 31 December
	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(Unaudited)
Investment properties	316,700	295,100	268,000
Non-current assets	387,941	365,915	337,624
Properties under development	599,599	631,490	401,907
Financial assets at FVPL	425,889	184,274	173,753
Properties held for sales	128,711	120,404	267,354
Cash and cash equivalents	72,022	60,474	49,438
Current assets	1,266,280	1,070,444	949,800
Total assets	1,654,221	1,436,359	1,287,424
Interest-bearing borrowings	292,956	244,218	240,292
Accounts and other payables	208,740	217,555	122,046
Current liabilities	503,956	462,761	364,753
Non-current liabilities	101,517	100,611	97,142
Total liabilities	605,473	563,372	461,895
Net current assets	762,324	607,683	585,047
Net asset value	1,048,748	872,987	825,529

As at 30 June 2022 (with comparative figures as at 30 June 2021)

As at 30 June 2022, the Group had non-current assets of approximately HK\$365.9 million (2021: HK\$387.9 million) which comprised mainly (i) investment properties of approximately HK\$295.1 million (2021: HK\$316.7 million); and (ii) property, plant and equipment of approximately HK\$70.6 million (2021: HK\$70.8 million). The decrease in non-current assets was mainly from the decrease in the fair value of investment properties.

As at 30 June 2022, the Group had current assets of approximately HK1,070.4 million (2021: HK\$1,266.3 million) which comprised mainly (i) properties under development of approximately HK\$631.5 million (2021: HK\$599.6 million); (ii) properties held for sales of approximately HK\$120.4 million (2021: HK\$128.7 million); (iii) financial assets at FVPL of approximately HK\$184.3 million (2021: HK\$425.9 million); (iv) other receivables of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately HK\$55.6 million (2021: HK\$20.8 million); and (v) restricted bank deposits, and cash and cash equivalents in aggregate of approximately HK\$78.7 million (2021: HK\$91.3 million). The decrease in current assets during FY2022 was mainly attributable to the decrease in financial assets at FVPL, and partly offset by the increase in properties under development and other receivables.

As at 30 June 2022, the Group had non-current liabilities and current liabilities amounted to approximately HK\$100.6 million and HK\$462.8 million respectively (2021: HK\$101.5 million and HK\$504.0 million respectively), comprising mainly accounts and other payables of approximately HK\$217.6 million (2021: HK\$208.7 million), interest-bearing borrowings of approximately HK\$244.2 million (2021: HK\$293.0 million), and deferred tax liabilities of approximately HK\$100.6 million (2021: HK\$101.5 million). The decrease in current liabilities during FY2022 was mainly attributable to the decrease in interest-bearing borrowings.

The net current asset position and net asset value of the Group as at 30 June 2022 was approximately HK\$607.7 million and HK\$873.0 million respectively, which were lower than that as at 30 June 2021 of approximately HK\$762.3 million and HK\$1,048.7 million respectively.

As at 31 December 2022 (with comparative figures as at 30 June 2022)

As at 31 December 2022, the Group had non-current assets of approximately HK\$337.6 million (30 June 2022: HK\$365.9 million) which comprised mainly (i) investment properties of approximately HK\$268.0 million (30 June 2022: HK\$295.1 million); and (ii) property, plant and equipment of approximately HK\$69.4 million (30 June 2022: HK\$70.6 million). The decrease in non-current assets as at 31 December 2022 was mainly from the decrease in the fair value of investment properties.

As at 31 December 2022, the Group had current assets of approximately HK\$949.8 million (30 June 2022: HK\$1,070.4 million) which comprised mainly (i) properties under development of approximately HK\$401.9 million (30 June 2022: HK\$631.5 million); (ii) properties held for sales of approximately HK\$267.4 million (30 June 2022: HK\$120.4 million); (iii) financial assets at FVPL of approximately HK\$173.8 million (30 June 2022: HK\$184.3 million); (iv) other receivables of approximately HK\$36.0 million (30 June 2022: HK\$55.6 million); and (v) restricted bank deposits, and cash and cash equivalents in aggregate of approximately HK\$70.3 million (30 June 2022: HK\$78.7 million). The decrease in current assets as at 31 December 2022 was mainly attributable to the decrease in properties under development, financial assets at FVPL, other receivables, and restricted bank deposits, and cash and cash equivalents and partly offset by the increase in properties held for sales.

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As at 31 December 2022, the Group had non-current liabilities and current liabilities amounted to approximately HK\$97.1 million and HK\$364.8 million respectively (30 June 2022: HK\$100.6 million and HK\$462.8 million respectively), comprising mainly accounts and other payables of approximately HK\$122.0 million (30 June 2022: HK\$217.6 million), interest-bearing borrowings of approximately HK\$240.3 million (30 June 2022: HK\$244.2 million), and tax payables of approximately HK\$2.4 million (30 June 2022: HK\$1.0 million). The decrease in current liabilities as at 31 December 2022 was mainly attributable to the decrease in accounts and other payables.

The net current asset position and net asset value of the Group as at 31 December 2022 was approximately HK\$585.0 million and HK\$825.5 million respectively, which were lower than that as at 30 June 2022 of approximately HK\$607.7 million and HK\$873.0 million respectively.

As noted from the above that the net current asset position and net asset value of the Group have been on a declining trend since 30 June 2021.

4. 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. As at the Latest Practicable Date, Mr. Wu held 279,935,000 Shares, representing approximately 11.17% of the issued share capital of the Company.

5. Reason for the Subscription and use of proceeds

In the second half of 2022, the external economic environment was still affected by the COVID-19 epidemic. With the continuous optimization of Mainland China's epidemic prevention policies, the impact of the COVID-19 epidemic on Mainland China market environment is being continuously alleviated and gradually diminished. However, the uncertainty of the epidemic had weakened the real estate market sentiment in Mainland China. Looking forward to 2023, the Group still faces a number of challenges.

As set in the Board Letter, the Company considered that the Subscription will raise additional funds for the Group's business operations, replenish 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 considered 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.

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The gross proceeds of the Subscription are expected to be approximately HK\$37.4 million. After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$36,558,000. The Company intends to utilise the aforesaid net proceeds from the Subscription as follows: (i) approximately HK\$26.6 million will be used for the general working capital of the Group, which includes approximately HK\$10.0 million for finance costs such as interest expenses on bank and other borrowing, and approximately HK\$16.6 million for administrative expenses such as staff costs, legal and professional fees and other expenses incurred in support of the operating activities, subject to actual business needs; and (ii) approximately HK\$10.0 million will be used for potential investment opportunities in high tech industries as identified by the Group from time to time. Depending on actual business needs, it is estimated that the net proceeds of the Subscription will be fully utilized in accordance with its intended purposes within the next two years from the Completion.

We noted that the financial performance of the Group has been affected by the COVID-19 outbreak in recent years. For the HY2023, FY2022, and FY2021, the Group recorded (i) revenue of approximately HK\$68.0 million, HK\$4.7 million and HK\$243.3 million; and (ii) loss attributable to the Shareholders of approximately HK\$25.5 million, HK\$162.9 million and HK\$60.2 million, respectively. In addition, according to the 2023 Interim Report, the Group recorded a decrease in its cash and bank balance of approximately HK\$11.0 million or 18.2%, to approximately HK\$49.4 million as at 31 December 2022. This decrease in cash and bank balance was mainly due to the interest paid of approximately HK\$4.5 million, and repayment of bank and other borrowing of approximately HK\$3.4 million. The net current asset position and cash and cash equivalents of the Group have been on a declining trend since 30 June 2021. Furthermore, the Group's working capital (current assets less current liabilities) decreased from approximately HK\$762.3 million as at 30 June 2021 to approximately HK\$607.7 million as at 30 June 2022, and further declined to approximately HK\$585.0 million as at 31 December 2022. As advised by the Company, we also noted that the cash and bank balance has further decreased as at 30 June 2023 due to the repayment of bank borrowing amounted to approximately HK\$30.0 million in February 2023 and the Group had cash and cash equivalents of approximately HK\$21.2 million as at the Latest Practicable Date. The estimated administrative expenses and finance costs to be incurred for the upcoming twelve months in the amount of approximately HK\$24.0 million and approximately HK\$10.7 million, respectively, which are estimated based on the historical administrative expenses and finance costs of the Group for the year ended 30 June 2023 taking into account the administrative expenses for newly incorporated subsidiaries, possible inflation and possible increase in interest rate of the borrowings. The Company considered that there is a necessity to replenish its cash position to support the operation of the Group in the near future. As illustrated in the section headed "9. Potential financial effects" below, immediately upon Completion, the Group's total net asset value and cash and cash equivalents are expected to increase, thus, improving the working capital of the Group. The Group has continued to optimize the asset structure and business development quality, and strengthen its own capability to deal with various unfavourable external economic conditions including the increase in interest rate, strengthening its working capital base so that it could enjoy higher liquidity in its daily operation and implementation of business strategies.

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In addition, the Group has continued to seek for new investment opportunities to broaden the revenue and profit potential of the Group and enhance Shareholders' value in long term. As disclosed in the announcement of the Company dated 28 April 2021, the Group has invested in an unlisted investment fund, namely, Huangpu River Capital SPC – Jinshan Segregated Portfolio (the “**Jinshan Segregated Portfolio**”). The investment objective of the Jinshan Segregated Portfolio is capital appreciation by investing the series C preferred stock of Beijing Horizon Robotics Technology Co., Ltd. which is principally engaged in the business of the development and manufacturing of intelligent processors based on artificial intelligence algorithms, the development of relevant software and hardware, and the provision of cloud services. As disclosed in the 2023 Interim Report, the fair value of the Group's investment in the Jinshan Segregated Portfolio increased by approximately HK\$11.6 million, from approximately HK\$36.3 million as at 30 June 2022 to approximately HK\$47.9 million as at 31 December 2022. Noting the track records of Jinshan Segregated Portfolio, the Board considered that the outlook of high-tech industries such as the application of artificial intelligence and robot technology is positive with high potential and hence, the investment in high-tech industries would diversify the investment portfolio of the Company and enhance its profitability. The Group have been actively approaching potential investment opportunities in high-tech industries. Having made enquiry, with the Company, the Management confirmed that the Company, as at the Latest Practicable Date, the Group has preliminarily approached 2 entities engaged in the development of autonomous driving technology and has been conducting initial assessments and since the above potential investment opportunities are in preliminary stage of discussion, and are subject to further negotiation and the due diligence by the Company, there are no specific investment targets identified with a view to utilizing the net proceeds of the Subscription.

Taking into account the Subscription is expected to raise proceeds for the Group with a lower cost, the proceeds from the Subscription would strengthen the Group's liquidity to meet its daily operation and broaden the revenue and profit potential of the Group, we concur with the Board that, notwithstanding the potential dilution effect which will arise from the Subscription, raising funds by way of allotment and issue of the Subscription Shares under Specific Mandate is an appropriate fundraising method currently available to the Company as compared to other alternative fundraising methods and would enable the Company to continue to obtain funds at a lower cost and a shorter timetable, therefore, the Subscription would be in the interests of the Company and its Shareholders as a whole.

On the other hand, given that the Subscriber is the Chairman and an executive Director as well as a substantial shareholder of the Company, we consider that the Subscription reflects the confidence and commitment of the Subscriber towards the long-term and sustainable development of the Company, and that the Subscription is expected to further strengthen the alignment of interests between the Subscriber and the Company.

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Having considered (i) the Group's net decrease in cash and cash equivalents and the decreasing trend in working capital of the Group from FY2021 to FY2022 and the Group needs to retain a certain amount of cash balance and/or working capital to sustain its operation after the repayment of loan; (ii) the growth of the revenue and profit to the Group from the potential investment opportunity in high-tech industry such as the application of artificial intelligence and robot technology; and (iii) the expected further alignment of interests between the Subscriber and the Company through the Subscription, we concur with the Directors that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

6. Alternative fundraising methods

Prior to the Subscription, we understand that the Company has considered other financing alternatives. The Group's bank and other borrowing amounted to approximately HK\$240.3 million as at 31 December 2022 and the Group has been recording losses in recent reporting periods. Regarding the possibility of debt financing, we understand that the Company approached three banks (the "**Banks**") in Hong Kong for applying for new loans of meaningful loan size, and the interest rates offered by the Banks were approximately 5% per annum subject to their review and approval process which may take up to three to six months. In addition, given that the Group's available assets have been pledged as collateral to secure certain bank loans, a meaningful loan size offered by the Banks would not be on commercially favourable terms. If the gross proceeds to be raised from the Subscription (i.e. approximately HK\$37.4 million) by way of bank borrowing and assuming the interest rate on such bank borrowing is 5% per annum, the Group will incur an additional interest expenses of approximately HK\$1.9 million per year. We concur with the view of the Directors in this respect, given that debt financing would cause the Group to incur additional financing costs and that given that the Group's loss position for FY2021 and FY2022, and the six months ended 31 December 2022, and the Group may be subject to lengthier negotiations with bank and a less favourable interest rate.

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In addition, we considered that the fund raising activities conducted through rights issue or open offer generally are more time-consuming compared to subscription due to the involvement of the issue of listing documents together with other applications and extensive administrative procedures (e.g. trading arrangements), which would usually take an additional two to three months to complete as compared to subscription. Rights issue or open offer is also less cost-effective than subscription due to the additional costs incurred by the engagement of professional parties i.e. reporting accountants, lawyers and/or brokerage agent(s) for the purpose of compiling and issuing the listing documents and underwriting of the fundraising activities. Given that the trading liquidity of the Shares in history was relatively thin, the exact amount of proceeds to be raised from the placing would be uncertain and subject to market condition, the efforts of the placing agents and the number of willing shareholders.

Having considered the above, we concur with the Directors that the Subscription is currently an appropriate way to raise capital for the Company and is in the interests of the Company and the Shareholders as a whole.

7. 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 Latest Practicable Date; 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 Latest Practicable Date 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.

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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% to the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (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 (5) consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iii) a discount of approximately 20% to the average of the closing price of approximately HK\$0.085 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iv) a discount of approximately 16% to the closing price of approximately HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 79% to the unaudited net asset value per Share of approximately HK\$0.33 per Share based on (a) the unaudited net assets of approximately HK\$825,529,000 as at 31 December 2022; and (b) 2,505,105,739 issued Shares as at the Latest Practicable Date.

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The Subscription Price was arrived after arm's length negotiations between the Company and the Subscriber where the Company has taken the following factors into consideration:

- (i) during the period from 27 July 2022 to 26 July 2023, being a period of approximately twelve months up to the date of Subscription Agreement (the “**Review Period**”), the market prices of the Shares as quoted on the Stock Exchange fluctuated and the highest and lowest closing prices of the Shares during the Review Period was HK\$0.108 as recorded on 19 and 20 August 2022 and HK\$0.054 as recorded on 23 May 2023, respectively, with the average closing price of the Shares of HK\$0.084 which was same as the closing price of the Shares on the date of the Subscription Agreement. The Subscription Price represents a discount of approximately 19% to the average closing price of the Shares during the Review Period. In addition, as set out above, the Subscription Price represents a discount of approximately 17%, 19% and 20%, over the closing price of the Shares on the date of the Subscription Agreement, for the last five (5) consecutive trading days up to and including the Last Trading Day, and for the last ten (10) consecutive trading days up to and including the Last Trading Day, respectively. Having considered the scale of the Subscription, the benefits of the Subscription which were discussed in the section headed “Reasons for the Subscription and Use of Proceeds” in the Board Letter, and the prevailing market conditions which were discussed in the Board Letter, the Board considered that the Subscription Price has been set at a reasonable discount to the recent market prices of the Shares and the average closing price of the Shares during the Review Period;
- (ii) despite the fact that the Subscription Price represents a discount of approximately 79% to the unaudited net asset value per Share as at 31 December 2022, the Company noted that the prices of the Shares had at all times represented a significant discount to the net asset value per Share for the past three years. In particular, during the Review Period, the prices of the Shares represented a discount, ranging from approximately 69% to 84% to the then net asset value per Share. The principal business of the Group is resort and property development, property investment and investment holding. In recent years, the debt crisis faced by Chinese property developers has affected the sentiment in China's property market, which has adversely affected the potential investors' interest in the shares of Chinese property developers, leading to continuing declines in the share prices and market valuations of real estate sectors and many real estate companies have a stock price below their net asset value per share;

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- (iii) with reference to the trading liquidity of the Shares, during the Review Period, according to the daily trading volume downloaded from the website of the Stock Exchange, the percentage of the average daily trading volume of the Shares by period/month were (a) in the range of less than 0.01% to approximately 0.354% with an average of 0.054% of the total number of issued Shares as at the end of the period/month; and (b) in the range of less than 0.01% to approximately 0.398% with an average of 0.061% of the total number of Shares held by public Shareholders as at the end of the period/month. The statistics showed that the average daily trading liquidity of the Shares was very thin during the Review Period, which may imply a lack of interest from potential public investors in the Shares and as such, the Company may have difficulty in conducting other alternative equity financing with an issue price at a premium over the prevailing market price of the Shares when considering fundraising exercises in the market such as rights issue or open offer; and
- (iv) in respect of the prevailing market conditions, the market sentiment of the Hong Kong stock market has been pessimistic since 2023 due to the uncertainty in the economic recovery after the COVID-19 pandemic and investors' sentiment in the stock market has been low due to the interest rate hikes by the Federal Reserve of the United States.

By reasons of the above, the Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee contained in this Circular) consider that the Subscription Price and Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Subscription will result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.6%, represented by the discount of the theoretical diluted price of approximately HK\$0.081 per Share to the benchmarked price of approximately HK\$0.084 per Share, taking into account the higher of (i) the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) the average closing price of approximately HK\$0.084 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the date of the Subscription Agreement.

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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 filings 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.

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As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived.

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). The Company may agree to postpone the Completion if the Subscriber is unable to pay the Subscription Price or the Company is unable to allot and issue Shares due to regulatory or administrative reasons. In such a case, the Company will seek the Independent Shareholders' approval on the Subscription again.

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.

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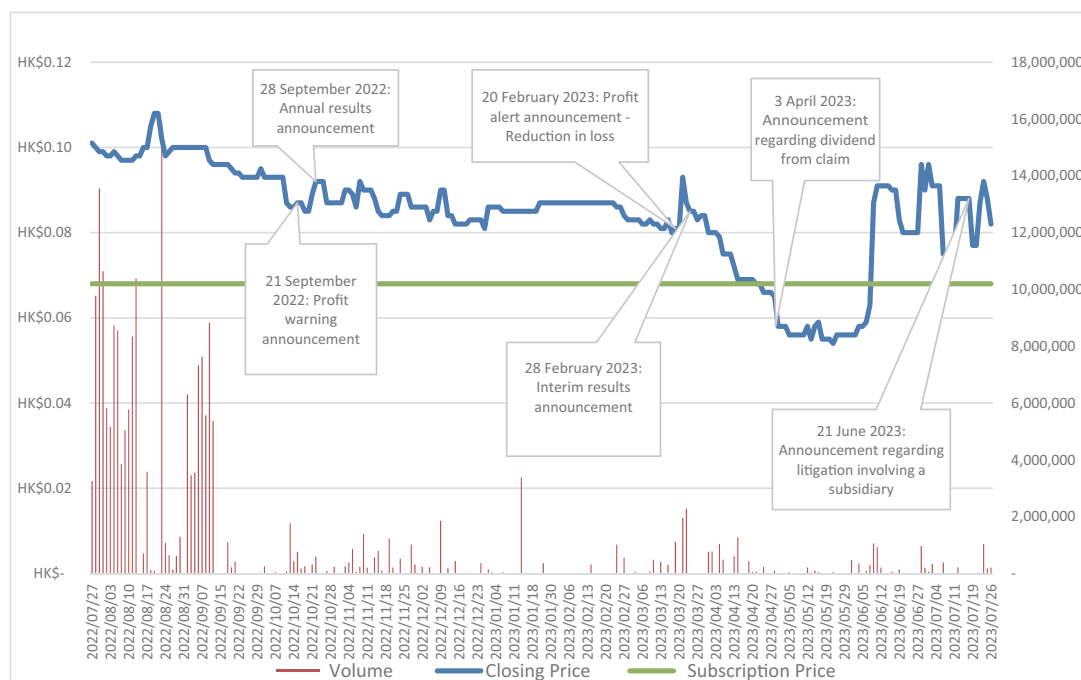
8. Our assessment of the Subscription Price

Given that the Subscription Price was determined based on, among others, the closing price and the trading volume of the Shares as at 26 July 2023 (being the date of Subscription Agreement) and the then market conditions, in assessing the fairness and reasonableness of the Subscription Price, we have conducted the following analysis:

(a) Share price performance

We have reviewed the daily closing prices of the Shares during the twelve-month period from 27 July 2022, up to and including 26 July 2023, the date of the Announcement, i.e. the Review Period. We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.

Table 1: Daily Closing price of the Shares during Review Period



Source: The Stock Exchange

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.054 per Share recorded on 23 May 2023 and HK\$0.108 per Share recorded on 19 and 20 August 2022, respectively. The average daily closing price of the Shares during the Review Period was approximately HK\$0.084 per Share.

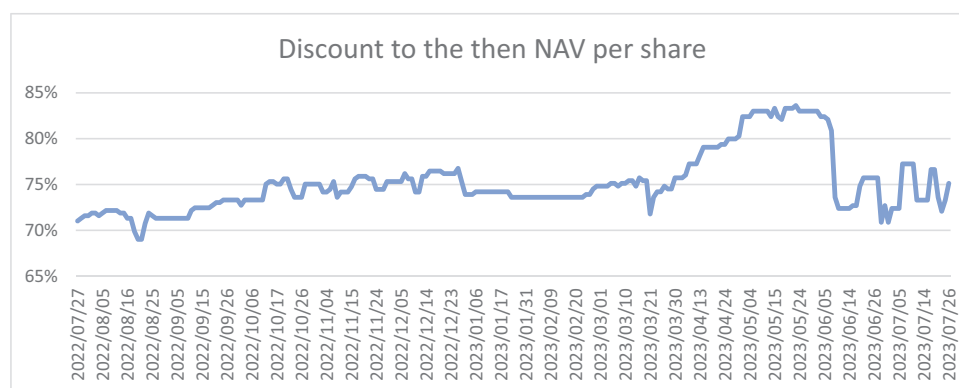
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The closing prices of the Shares was in a declining trend since August 2022 and reached a low of HK\$0.054 on 23 May 2023. In June 2023, the closing prices of the Shares reserved the declining trend and reached a high of HK\$0.096 on 28 and 30 June 2023. In the month of July 2023, the closing prices of the Shares were range-bound between HK\$0.075 and HK\$0.092. We are unable to identify any market news nor announcement of the Company which might have triggered the upward trend in July 2023. Having made enquiry with the Company, the Management confirmed that they are not aware of any reason which could lead to the aforesaid movements of the closing prices of the Shares during the Review Period.

Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the market price of the Shares may increase or decrease from its closing price on the Latest Practicable Date.

Although the Subscription Price of HK\$0.068 represents a discount of approximately 37.0% and 19.0% to the highest closing price of the Shares of HK\$0.108 and the average closing price of the Shares of HK\$0.084, respectively, during the Review Period, we noted that the Subscription Price represents a premium of approximately 25.9% over the lowest closing price of the Shares of HK\$0.054 during the Review Period.

In respect of the recent market prices of the Shares, despite the fact that the Subscription Price represents a discount of approximately 79% to the unaudited net asset value per Share as at 31 December 2022, during the Review Period, the Share price had at all times closed at a discount to the then net asset value per Share, ranging from a discount of approximately 69% to a discount of approximately 84% with an average of a discount of approximately 75% (the “NAV Discount”). The NAV Discount of approximately 79% is within the aforesaid range and is considered reasonable.



Source: The Stock Exchange, 2022 Annual Report and 2023 Interim Report

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Having considered the financial performance and financial conditions of the Group as set out in the sections headed “Financial performance of the Group” and “Financial position of the Group” in this Letter above, we are of the view that the discount of the Subscription Price to the closing price of the Shares is justifiable and the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Trading liquidity of the Shares

In order to understand the market demand for the Shares, we have studied the historic trading liquidity of the Shares. The following table sets out the number of trading days, the total volume of the Shares traded, and the average daily trading volume of the Shares, as well as the percentage of the average daily trading volume of the Shares to the total number of issued Shares and the number of issued Shares held by the Shareholders other than Mr. Wu (the “Public Shareholders”) for each of the periods/months during the Review Period:

Table 2: Trading liquidity of the Shares

Month/Period	Number of trading days (Days)	Monthly total trading volume (Shares)	Average daily trading volume (Shares)	Percentage of average daily trading volume to the total number of issued Shares (%)	Percentage of average daily trading volume to the Shares held by Public Shareholders (%)
2022					
July (From 27 July 2022)	3	26,580,000	8,860,000	0.354%	0.398%
August	23	96,510,000	4,196,087	0.168%	0.189%
September	21	49,810,000	2,371,905	0.095%	0.107%
October	20	4,980,000	249,000	0.010%	0.011%
November	22	8,170,000	371,364	0.015%	0.017%
December	20	3,485,000	174,250	0.007%	0.008%
2023					
January	18	3,830,000	212,778	0.008%	0.010%
February	20	1,900,000	95,000	0.004%	0.004%
March	23	8,240,038	358,263	0.014%	0.016%
April	17	4,300,000	252,941	0.010%	0.011%
May	21	990,000	47,143	0.002%	0.002%
June	21	4,395,000	209,286	0.008%	0.009%
July (Up to 26 July 2023)	17	2,420,000	142,353	0.006%	0.006%
			Highest	0.354%	0.398%
			Lowest	0.002%	0.002%
			Average	0.054%	0.061%

Source: The Stock Exchange

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Regarding the trading liquidity of the Shares during the Review Period, as shown in the table above, the percentage of the average daily trading volume of the Shares by period/month were (i) in the range of less than 0.01% to approximately 0.354% with an average of 0.054% of the total number of issued Shares as at the end of the period/month; and (ii) in the range of less than 0.01% to approximately 0.398% with an average of 0.061% of the total number of Shares held by Public Shareholders as at the end of the period/month. We noted that the highest average daily trading volume was approximately 8,860,000 Shares in July 2022, representing approximately 0.354% of the total number of issued Shares and approximately 0.398% of the total number of Shares held by Public Shareholders as at 31 July 2022. It is noted that the relatively higher average for the month of July 2022 was due to the fact that only three trading days have been taken in the calculation of the average daily trading volume. If all the 20 trading days in the month of July 2022 were taken into account, the average daily trading volume for the month of July 2022 would have been 4,499,806 Shares, which is approximately 0.180% of the total number of issued Shares and approximately 0.202% of the total number of Shares held by Public Shareholders as at 31 July 2022.

We noted that the average daily trading liquidity of the Shares were very thin during the Review Period, with the average daily volume for all the period/months in the Review Period are less than 0.5% to the then total number of issued Shares and the total number of Shares held by Public Shareholders as at the end of their respective period/month.

Further to our discussion with the Directors, we concur with the Directors' view that the liquidity of the Shares is relatively low, and it is unlikely that the Company is able to raise fund by issue of new Shares without discount. The Subscription Price of HK\$0.068 represents a discount of approximately 17.1% to the closing price of HK\$0.082 per Shares as quoted on the Stock Exchange on the date of the Subscription Agreement. On this basis and having considered the financial performance and financial conditions of the Group as set out in the sections headed "Financial performance of the Group" and "Financial position of the Group" in this Letter above, we are of the view that the discount of the Subscription Price to the closing price of the Shares is justifiable and the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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(c) Market comparables analysis

To further assess the fairness and reasonableness of the Subscription Price, we have conducted a search on the website of the Stock Exchange for transactions which (i) involved the subscription of new shares of listed companies by either their connected person(s) or independent third party(ies); and (ii) were announced during the Review Period.

The selection of the comparable transactions (the “**Comparable Transactions**”) is based on the following criteria: (i) subscription of new shares for cash under specific mandate carried out by the companies listed on the Stock Exchange; (ii) excluding issues of shares inter-conditional with, or pursuant to, placing through placing agent(s), as part of consideration in acquisition, or under share award plan or restricted stock unit scheme, or for emolument, or restructuring scheme; and (iii) excluding issues of A shares, H shares or domestic shares.

We considered our selection criteria for these Comparable Transactions and the length of the Review Period as fair and reasonable given that (i) the selection of subscription exercises with subscribers therein being connected persons and/or independent third parties of the relevant issuers would provide a more comprehensive view of prevailing market conditions; and (ii) there is a sufficient number of Comparable Transactions conducted during the Review Period for our analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In selecting the Comparable Transactions, we have also included companies with different market capitalization and from different industries listed on the Stock Exchange, given that we consider there is expected to be only a handful of comparable transactions if we were to select them by industry, as only one company from the list of Comparable Transactions is a construction company. We have assessed and considered the suitability of our Comparable Transactions, among other things, business nature and market capitalization, (i) such inclusion would provide a more comprehensive reference point compared to a limited number of comparable transactions which are announced only by other companies having similar businesses as those of the Company and listed on the Stock Exchange, and/or by those with a market capitalization that is close to that of the Company; (ii) the market sentiment toward a company's shares, which are often affected by, among others, the company's financial performance, industry or market capitalization, are already reflected in their recent share prices and hence the premium/discount represented by the Comparable Transactions' subscription prices over/to the recent share prices already provides a relevant and direct reference with regards to the market practice in determining the subscription price; (iii) whether a company is listed on the Main Board or GEM of the Stock Exchange, or has a small or larger market capitalization, would unlikely have a material impact on the premium/discount represented by its subscription price over/to its recent share prices, and such view is supported by the figures presented by the Comparable Transactions as shown in Table 3 below; and (iv) the table including the same type of transaction as the Subscription Agreement, i.e. the subscription of new shares under specific mandate by listed companies on the Stock Exchange, which could facilitate meaningful comparison purpose. The selection of the Comparable Transactions without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to independent third party(ies) under the general regulatory framework. Taking into account these factors, we consider that our selection criteria for the Comparable Transactions are fair and reasonable and provide a meaningful reference for our assessment of the Subscription Price.

Based on our selection criteria, we have identified 21 Comparable Transactions which we consider to be exhaustive and sufficient for our assessment of the fairness and reasonableness of the Subscription Price. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those companies involved in the Comparable Transactions. However, we consider that the Comparable Transactions are comparable as the issued shares of these companies are all listed on the Stock Exchange. Accordingly, we are of the view that the Comparable Transactions provide a meaningful reference in our assessment of the fairness and reasonableness of the Subscription Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 3: Comparable Transactions

Date of announcement	Name of company	Stock code	Connected transaction (Yes/No)	Premium/ (discount) of subscription price over/to closing price per share on the date of the subscription agreement	Premium/ (discount) of subscription price over/to the average closing price for the last five trading days prior to the date of the subscription agreement	Premium/ (discount) of subscription price over/to the average closing price for the last ten trading days prior to the date of the subscription agreement
10/7/2023	Summi (Group) Holdings Limited	756	Yes	-9.5%	-8.7%	-9.2%
9/7/2023	NVC International Holdings Limited	2222	Yes	16.9%	23.9%	22.1%
4/7/2023	China Ruyi Holdings Limited	136	Yes	-17.5%	-16.8%	-15.7%
19/6/2023	Creative China Holdings Limited	8368	Yes	-17.7%	-17.4%	-14.2%
9/6/2023	China Silver Technology Holdings Limited	515	No	-4.8%	-5.7%	-8.1%
28/4/2023	Energy International Investments Holdings Limited	353	Yes	-5.5%	-8.4%	-7.6%
26/4/2023	New Huo Technology Holdings Limited	1611	Yes (Note 1)	-9.6%	-11.8%	-14.8%
20/4/2023	Glory Sun Financial Group Limited (Note 2)	1282	No	82.5%	67.5%	63.6%
19/3/2023	Suoxinda Holdings Limited	3680	No	-5.0%	-6.9%	-7.8%
19/1/2023	New Concepts Holdings Limited	2221	No	-13.6%	-11.0%	-12.4%
18/1/2023	Honghua Group Limited	196	Yes	-1.7%	-3.5%	-1.6%
11/1/2023	CFCO Joycome Foods Limited	1610	Yes	-1.7%	-2.2%	1.1%
12/12/2022	In Technical Productions Holdings Limited	8446	Yes	-16.9%	-10.8%	-5.4%
7/12/2022	Cornerstone Technologies Holdings Limited (Note 2)	8391	Yes	-55.8%	-23.5%	-20.9%
18/10/2022	China Titans Energy Technology Group Co.,	2188	No	3.0%	6.3%	4.6%
13/9/2022	Link-Asia International MedTech Group Limited (Note 2)	1143	No	78.4%	79.8%	78.2%
2/9/2022	Cornerstone Technologies Holdings Limited	8391	Yes	5.1%	-2.8%	-5.1%
1/9/2022	BOE Varitronix Limited	710	Yes	-7.2%	-11.9%	-14.1%
1/9/2022	Suoxinda Holdings Limited	3680	Yes (Note 1)	-19.6%	-6.0%	-0.4%
23/8/2022	Standard Development Group Limited	1867	Yes	-14.8%	-16.7%	-19.3%
5/8/2022	HG Semiconductor Limited	6908	No	-18.5%	-16.2%	-18.4%
			Average	-1.6%	-0.1%	-0.3%
			Highest	82.5%	79.8%	78.2%
			Lowest	-55.8%	-23.5%	-20.9%
			Average (excluding outliers)	-7.7%	-7.0%	-7.0%
			Highest (excluding outliers)	16.9%	23.9%	22.1%
			Lowest (excluding outliers)	-19.6%	-17.4%	-19.3%
			The Company	-17.1%	-19.1%	-19.8%

Source: the Stock Exchange

Note:

- The company announced on the same date that it entered into relevant subscription agreements with both its connected person(s) and independent third party(ies) at the same subscription price. For illustrative purpose under this table, "Yes" is stated.
- The premiums and discount of the relevant transaction were exceptionally high and considered to be outliers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the subscription prices in the Comparable Transactions (excluding outliers):

- (i) ranged from a discount of approximately 19.6% to a premium of approximately 16.9%, with an average discount of approximately 7.7%, to/over their respective closing share prices on the date of the subscription agreement;
- (ii) ranged from a discount of approximately 17.4% to a premium of approximately 23.9%, with an average discount of approximately 7.0%, to/over their respective average closing prices for the last five consecutive trading days prior to the date of the subscription agreement; and
- (iii) ranged from a discount of approximately 19.3% to a premium of approximately 22.1%, with an average discount of approximately 7.0%, to/over their respective average closing prices for the last ten consecutive trading days prior to the date of the subscription agreement.

As such, (i) the discount of the Subscription Price of approximately 17.1% to the closing price on the date of the Subscription Agreement (the “**LTD Discount**”) all falls within the above ranges of the Comparable Transactions, (ii) the discount of the Subscription Price of approximately 19.1% to the average closing price for the last five consecutive trading days immediately prior to the date of the Subscription Agreement (the “**Five Days Discount**”) falls slightly outside the above ranges of the Comparable Transactions, and (iii) the discount of the Subscription Price of approximately 19.8% to the closing price for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement (the “**Ten Days Discount**”) falls slightly outside the above ranges of the Comparable Transactions.

Having considered that (i) the LTD Discount is within the ranges of those of the Comparables Transactions, while the Five Days Discount and the Ten Days Discount are only slightly outside the ranges of those of the Comparables Transactions; (ii) the net losses recorded by the Group for the years ended 30 June 2021 and 2022 and the six months ended 31 December 2022; (iii) the net current asset position and net asset value of the Group have been on a declining trend since 30 June 2021; (iv) the liquidity of the Shares had been relatively low during the Review Period; (v) the reasons for and benefits of the Subscription; and (vi) the Subscription is appropriate fundraising method currently available to the Group; and (vii) the discount of the Subscription Price to the closing price of the Shares is justifiable, we are of the view that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

9. Potential financial effects

According to the 2023 Interim Report, the unaudited consolidated net asset value and cash and cash equivalents of the Group amounted to approximately HK\$825.5 million and HK\$49.4 million as at 31 December 2022, respectively.

Upon Completion, it is expected that both the net asset value and cash and cash equivalents of the Group will increase by the same amount of approximately HK\$36.6 million, being the estimated net proceeds of the Subscription.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position or results of the Group will be upon Completion.

Nonetheless, based on the above analysis, the Subscription is expected to have a positive impact on the Group's financial position. Accordingly, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

10. Potential dilution of the shareholding of the Company

The table below sets out a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion, assuming that there is no change in the total number of issued Shares from the Latest Practicable Date to the Completion Date, save for the proposed allotment and issue of the Subscription Shares:

	As at the Latest Practicable Date		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	9.17%
– the Subscriber	–	–	550,000,000	18.00%
Sub-total	279,935,000	11.17%	829,935,000	27.17%
Public Shareholders				
Ms. Li Fuyi	279,930,959	11.17%	279,930,959	9.16%
Other Public Shareholders	<u>1,945,239,780</u>	<u>77.65%</u>	<u>1,945,239,780</u>	<u>63.67%</u>
Total	<u>2,505,105,739</u>	<u>100.00%</u>	<u>3,055,105,739</u>	<u>100.00%</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the shareholding interests held by the Public Shareholders would be slightly diluted by approximately 14.0% as a result of the Subscription (assuming there being no other changes to the issued share capital of the Company between the Latest Practicable Date and the Closing Date). In this regard, taking into account (i) the reasons for and benefits of the Subscription; (ii) the Subscription is an appropriate fundraising method currently available to the Group; (iii) the Subscription is expected to have an overall positive impact on the Group's financial position, in particular the working capital of the Group; and (iv) the terms of the Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the existing Public Shareholders as a result of the Subscription (being immaterial) is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, among other things, (i) the cash and bank balance and the working capital of the Group have been on a declining trend and the possible impact on the Group's financial position; (ii) the estimated administrative expenses and finance costs to be incurred for the upcoming twelve months in the amount of approximately HK\$24.0 million and approximately HK\$10.7 million, respectively, which are estimated based on historical administrative expenses and finance costs of the Group for the year ended 30 June 2023 taking into account the administrative expenses for newly incorporated subsidiaries, possible inflation and possible increase in interest rate of the borrowings; (iii) the growth of the revenue and profit to the Group from the potential investment opportunity in high-tech industry such as the application of artificial intelligence and robot technology; (iv) the issue of the subscription Shares to the Subscriber is the most certain and efficient way of raising capital under the current market conditions; (v) the potential dilution effect to the existing public Shareholders is acceptable given the reasons for and benefits of the Subscription is in the interests of the Company and Shareholders as a whole; and (vi) the NAV Discount falls within the range of the historical NAV Discount after taking into account that the sentimental investment atmosphere of the property development market affected by the debts crisis faced by Chinese property developers, although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, we are of the opinion that, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. We also recommend the Independent Shareholders to vote in favor of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM.

Yours faithfully,
for and on behalf of
CHINA SUNRISE CAPITAL LIMITED

Larry Chan
Managing Director

Keith Ho
Vice President

Mr. Larry Chan and Mr. Keith Ho are licensed persons registered with the SFC and as responsible officers of China Sunrise Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and have over 30 years and over 7 years of experience in corporate finance industry respectively.

** for identification purposes 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' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Number of Shares Interested	Approximate	Long/Short Position
			Percentage of Shareholding (%) (Note 1)	
Mr. Wu (Note 2)	Beneficial owner	279,935,000	11.17	Long position
	Interest in controlled corporation	<u>550,000,000</u>	<u>21.96</u>	Long position
		<u>829,935,000</u>	<u>33.13</u>	

Notes:

- The approximate percentage of interests held was calculated on the basis of total number of 2,505,105,739 Shares in issue as at the Latest Practicable Date.

2. Mr. Wu had personal interest in 279,935,000 Shares, representing approximately 11.17% of the total number of Shares in issue as at the Latest Practicable Date. Further, as disclosed in this circular, the Subscriber, Ruixing Investments Limited, had entered into a Subscription Agreement with the Company on 26 July 2023 and conditionally agreed to subscribe for 550,000,000 Shares on and subject to the terms and conditions thereof. As the Subscriber is a company wholly-owned by Mr. Wu, therefore Mr. Wu is deemed under the SFO to be interested in such 550,000,000 Shares, representing approximately 21.96% of the total number of Shares in issue at the Latest Practicable Date. Mr. Wu also serves as a director of the Subscriber.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' interests and short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Interested	Approximate Percentage of Shareholding (%) (Note)	Long/Short Position
Ruixing Investments Limited	Beneficial owner	550,000,000	21.96	Long position
Ms. Li Fuyi	Beneficial owner	279,930,959	11.17	Long position

Note:

The approximate percentage of interests held was calculated on the basis of total number of 2,505,105,739 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. DIRECTORS' INTERESTS

(a) Interests in assets

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 30 June 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the second extension agreement dated 8 September 2021 entered into between the Company and On Tai International Credit Limited (the “**Borrower**”), pursuant to which the Company agreed, subject to the Borrower’s partial repayment of HK\$7,000,000 owed to the Company under an original loan agreement, to further extend the maturity dates of the original loan agreements entered by the Company and the Borrower.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 30 June 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claims of material importance was known to the Directors to be pending or threatened by or against any members of the Group:

- (a) Mr. Su Keru filed a civil litigation in the People’s Court of Huishan District, Wuxi* (無錫市惠山區人民法院) against Mr. Chen Yonghua and Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) as the defendants in respect of the alleged debt of RMB40,000,000 together with interests of approximately RMB34,300,000 (calculated up to 13 April 2023). Details of the litigation are set out in the announcement of the Company dated 21 June 2023; and
- (b) In May 2022, Applied Investment (Asia) Limited (“**AIAL**”), a wholly-owned subsidiary of the Company, filed petitions against Green Asia Restructure Fund SPC (“**Green Asia**”) with the Grand Court of the Cayman Islands (the “**Cayman Court**”), in connection with the appointment of receivers over the assets of Green Asia Restructure SP and Green Asia Restructure SP II (collectively, the “**Funds**”), as Green Asia has failed to pay to AIAL the redemption amount with respect to AIAL’s investment in the Funds. In July 2022, receivers of the Funds were appointed by the order from the Cayman Court. In March 2023, the receivers informed AIAL that it can receive approximately HK\$483,000 in respect of the preferential claims and approximately HK\$8,579,000 in respect of the admitted unsecured claims. As at the Latest Practicable Date, the realisation procedure of remaining assets of the Funds is still in progress. Details of the petitions are set out in the announcements of the Company dated 23 May 2022, 28 September 2022, 28 February 2023 and 3 April 2023.

* For identification purposes only

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
China Sunrise Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which had, since 30 June 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

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 of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, which situates at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;
- (c) The company secretary of the Company is Ms. Luk Shan, the financial controller of the Company, and she is a member of the Hong Kong Institute of Certified Public Accountants; and
- (d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.applieddev.com) for a period of 14 days from the date of this circular:

- (a) Copy of the Subscription Agreement dated 26 July 2023 entered into between the Company (as the issuer) and the Subscriber;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 46 of this circular;
- (d) the letter of consent referred to that in the paragraph headed “8. Qualification and Consent of Expert” in this appendix; and
- (e) this circular.

NOTICE OF THE SGM



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 “**SGM**”) of Applied Development Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on 19 October 2023 (Thursday) at Empire Room 1, 1/F, Empire Hotel Hong Kong • Wanchai, 33 Hennessy Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolution of the Company.

ORDINARY RESOLUTION

1. “THAT:

- (a) the subscription agreement dated 26 July 2023 (the “**Subscription Agreement**”) (a copy of which is tabled at the SGM and marked “A” and signed by the chairman of the SGM for identification purpose) entered into between the Company (as the issuer) and Ruixing Investments Limited as the subscriber (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 new shares of the Company (the “**Subscription Share(s)**”) at the subscription price of HK\$0.068 per Subscription Share, including but not limited to, the allotment and issue of 550,000,000 Subscription Shares to the Subscriber, be and is hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the listing committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having granted the listing of, and permission to deal in, the Subscription Shares, the directors of the Company (the “**Director(s)**”) be and are hereby granted with a specific mandate (the “**Specific Mandate**”) which shall entitle the Directors to exercise all the powers of the Company to allot and issue the Subscription Shares to the Subscriber, on and subject to the terms and conditions of the Subscription Agreement entered into between the Company and the Subscriber, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may be granted from time to time to the Directors prior to the passing of this resolution; and

NOTICE OF THE SGM

- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute all such documents or agreements or deeds and take all such actions as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Subscription Agreement entered into between the Company and the Subscriber or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith as are, in the opinion of such Director, in the interest of the Company and the shareholders of the Company as a whole.”

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

Hong Kong, 28 September 2023

* *For identification purposes only*

Notes:

1. Any member of the Company entitled to attend and vote at the SGM 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 may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the SGM.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her 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 SGM is enclosed. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person on any or all resolutions on which he/she/it is entitled to vote at the SGM or poll concerned, and in such event any vote cast by his/her/its proxy on the same resolution shall be null and void.
4. The register of members of the Company will be closed from 16 October 2023 (Monday) to 19 October 2023 (Thursday) (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) of the Company (the “**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 the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 October 2023 (Friday). Shareholders of the Company whose names appear on the register of members of the Company on 19 October 2023 (Thursday) shall be entitled to attend and vote at the SGM.

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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 office of the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (i.e. before 11:00 a.m. on 17 October 2023 (Tuesday)) or any 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 the 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 SGM 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. All resolutions set out in the notice of the SGM will be voted on by way of poll.
8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions" resulting from super typhoons as announced by the HKSAR Government is in effect any time after 8:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the website of the Company at www.applieddev.com and on the website of the Stock Exchange at www.hkexnews.hk to notify the shareholders of the Company of the date, time and place of the rescheduled meeting.

As at the date of this notice, 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.

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