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APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

DISCLOSEABLE TRANSACTION PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS

PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS

On 8 January 2020 (after trading hours), the Company and Dafy entered into the Subscription Agreement, pursuant to which Dafy has conditionally agreed to issue and the Company has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of US\$8,000,000.

The Convertible Bonds to be issued to the Company are convertible into up to 51,147,540 Dafy Shares at the Conversion Price (subject to adjustments), representing approximately 3.84% of the issued share capital of Dafy as at the date of this announcement or approximately 3.70% of the issued share capital as enlarged by the issue of all Conversion Shares.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios under Chapter 14 of the Listing Rules in relation to the Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 8 January 2020 (after trading hours), the Company and Dafy entered into the Subscription Agreement, pursuant to which Dafy has conditionally agreed to issue and the Company has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of US\$8,000,000.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date: 8 January 2020

Issuer: Dafy

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Dafy and its substantial shareholders are Independent Third Parties

Subscriber: the Company

Consideration

The Company has agreed to subscribe for the Convertible Bonds in the principal amount of US\$8,000,000 on the Completion Date. The Group intends to fund the consideration for the Subscription in cash from its internal resources.

Conditions Precedent

Completion is subject to the fulfilment (or waiver) of all of the following conditions precedent:

- (a) the Stock Exchange having granted or agreeing to grant the Listing Approval and such Listing Approval not subsequently revoked prior to Completion;

- (b) Dafy having sufficient general mandate for the issue of the Conversion Shares under the Convertible Bonds;
- (c) Dafy (or its designated subsidiary) having made available the Security Deposit to the Company (or its designated subsidiary) and readily to be drawdown within one (1) business day from the day of the Stock Exchange granting the Listing Approval;
- (d) the parties having executed and procured its designated subsidiary to execute the agreement in relation to the Security Deposit of Convertible Bonds (可轉換公司債券保證金協議) among the Company, Dafy and their designated subsidiaries and having delivered the duly executed counterparts to the other parties;
- (e) the Subscription Agreement not having been terminated;
- (f) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the Subscription Agreement and transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the execution of the Convertible Bonds Instrument);
- (g) where required, Dafy having obtained all necessary consents and approvals from any government or regulatory authority of the Cayman Islands and having completed all necessary filings with any government or regulatory authority of the Cayman Islands required for the entering into and/or performance of in respect of the Subscription Agreement and the transactions contemplated thereunder; and
- (h) the warranties set forth in the Subscription Agreement being true, correct and complete when made and remaining true, correct and complete and not misleading as at the Completion Date.

If any of the conditions specified above has not been satisfied or waived by the Long Stop Date, either party may defer the Completion to a later date, proceed to completion with other conditions, or the Subscription Agreement shall thereupon lapse and become null and void and all rights, obligations and liabilities of the parties under the Subscription Agreement in relation to the issue and subscription of the Convertible Bonds shall cease and determine and none of the parties shall have any claim against the other in respect of the issue and subscription of the Convertible Bonds, save for any liability arising out of any antecedent breaches of the Subscription Agreement.

Completion

Completion shall take place on or before the third (3rd) business day after the date on which all conditions precedent have been satisfied in full or waived (as the case may be), and upon the completion of the matters below:

- (a) Dafy having delivered to the Company a copy of the resolution of its board of directors approving and authorising the execution and completion of the Subscription Agreement and the Convertible Bonds Instrument and the issue of Convertible Bonds and the certificate in respect of the Convertible Bonds to be delivered to the Company;
- (b) Dafy having executed the Convertible Bonds Instrument and having delivered a duly executed counterpart to the Company together with a duly executed certificate in respect of the Convertible Bonds;
- (c) Dafy having procured that the name of the Company is entered into Dafy's register of bondholders as a holder of the Convertible Bonds in accordance with Dafy's charter document and the laws of the Cayman Islands, and having delivered to the Company a certified copy of Dafy's updated register of bondholders certified by a director of Dafy;
- (d) Dafy having made available or having procured its designated subsidiary to pay the Security Deposit to the Company (or its designated subsidiary); and
- (e) The Company having paid or having procured to pay in Hong Kong dollars for value to Dafy (or as it may direct) the aggregate principal amount of the Convertible Bonds free from any set-off, counterclaim or other deduction of any nature whatsoever.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds are summarised as follows:

Issuer:	Dafy
Principal amount:	US\$8,000,000

Status: The Convertible Bonds constitutes direct, general, unconditional, unsubordinated and unsecured obligations of Dafy and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of Dafy under the Convertible Bonds shall, save for such obligations as may be provided by mandatory provisions of applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Conversion price: HK\$1.22 per Conversion Share, subject to adjustments which include, among other things, consolidation and subdivision of the Dafy Shares, capitalisation of profits or reserves, capital distributions, rights issues of Dafy Shares or options over Dafy Shares or other securities of Dafy and issue of Dafy Shares or other securities of Dafy in discount.

Conversion Shares: Based on the conversion price of HK\$1.22 per Conversion Share, upon full conversion, the Convertible Bonds held by the Company are convertible into a total of up to 51,147,540 Dafy Shares at the Conversion Price (subject to adjustments), representing approximately 3.84% of the issued share capital of Dafy as at the date of this announcement or approximately 3.70% of the issued share capital as enlarged by the issue of all Conversion Shares.

Maturity Date: 364 days from the issue date of the Convertible Bonds, which can be extended for a six-month period at the option of Dafy.

Interest: 6% per annum payable by Dafy every six months in arrears until maturity date or upon the redemption of the Convertible Bonds, whichever is earlier.

- Conversion period: The period commencing on the next business day after the issue date of the Convertible Bonds and ending on the date that falls on the tenth (10th) day immediately before the maturity date, both dates inclusive.
- Redemption at Maturity: Unless previously redeemed, converted or cancelled, the Convertible Bonds shall be redeemed on the maturity date at its then outstanding principal amount. Dafy may not redeem the outstanding principal amount of the Convertible Bonds prior to the maturity date unless the Company (or its designated subsidiary) defaults in repayment of the Security Deposit and payment of interest accrued therefrom for ten (10) business days or more.
- Redemption upon events of default: The Company may give notice to Dafy that the Convertible Bonds are immediately due and repayable at their principal amount together with interest accrued if:
- (i) a default is made in the payment of interest in respect of any of the Convertible Bonds when and as the same ought to be paid; or
 - (ii) a default is made by Dafy in the performance or observance of any covenant, condition or provision and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any) and interest in respect of any of the Convertible Bonds) and such default continues for the period of fourteen (14) days next following the service by the Company on Dafy of notice specifying brief details of such default and requiring such default to be remedied; or

- (iii) a resolution is passed or an order of a court of competent jurisdiction is made that Dafy be wound up or dissolved or Dafy disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of simple majority of the Company; or
- (iv) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of Dafy; or
- (v) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the property of Dafy and is not discharged within three days thereof; or
- (vi) Dafy is unable to pay its debts as and when they fall due or Dafy shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors; or
- (vii) a winding-up or bankruptcy petition being filed against Dafy under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 21 days; or

- (viii) it is or becomes unlawful for Dafy to perform any of its obligations under the Convertible Bonds Instrument; or any obligation of Dafy under the Convertible Bonds Instrument is not or ceases to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially adversely affects the interests of the Company under the Convertible Bonds Instrument; or
- (ix) if any governmental agency seizes, compulsorily purchases or expropriates all or a substantial part of the assets of Dafy or makes an order therefor; or
- (x) if Dafy ceases or threatens to cease to carry on the whole or a substantial part of its business or changes or threatens to change the fundamental nature or scope of its business.

Transferability:

The Convertible Bonds may not be assigned or transferred, in whole or in part, to third parties and connected persons of Dafy (as defined under the Listing Rules) without the prior written consent of Dafy.

Listing:

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by Dafy for the listing of, and permission to deal in, the Conversion Shares.

Voting:

The Convertible Bonds shall not confer on the Company any right to attend or vote at any shareholder's meeting of Dafy.

INFORMATION OF THE PARTIES TO THE SUBSCRIPTION AGREEMENT

Dafy is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. Dafy and its subsidiaries are principally engaged in the business of (i) contracting services for alteration and addition works, maintenance, specialist works and new development; (ii) consulting services for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong; and (iii) provision of financial information and technology services to individuals in the PRC.

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Company and its subsidiaries are principally engaged in resort and property development, property investment and investment holding.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The terms of each of the Subscription Agreement (including the subscription amount, the interest rates and the conversion price for the Convertible Bonds) have been determined after arm's length negotiations between the Company and Dafy with reference to, among other things, the historical financial performance of Dafy, the prevailing market price of the Dafy Shares and recent market conditions.

Taking into account that the interest rate of the Convertible Bonds is higher than the interest rate of fixed deposits offered by well-recognised financial institutions in Hong Kong, the income and cash flow that can be generated from the investment in the Convertible Bonds, the Subscription is in line with the Company's investment strategy, and that the Convertible Bonds will be secured by the Security Deposit, the Board considers that the Subscription can broaden the Group's source of income and provide the Group with a stable investment return. Accordingly, the Directors, consider that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios under Chapter 14 of the Listing Rules in relation to the Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	Applied Development Holdings Limited, a company incorporated in 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 pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date of the Completion pursuant to the Subscription Agreement
“Conversion Price”	HK\$1.22 per Conversion Share (subject to adjustments)
“Conversion Rights”	the rights to convert the Convertible Bonds into Conversion Shares
“Conversion Shares”	the Dafy Shares to be issued by Dafy upon the holder(s) of the Convertible Bonds exercising its/their Conversion Rights attached to the Convertible Bonds in accordance with the terms and conditions of the instrument constituting the Convertible Bonds

“Convertible Bonds”	the 6% secured redeemable convertible bonds in the aggregate principal amount of US\$8,000,000 with a tenor of 364 days extendable for a six-month period to be issued by Dafy pursuant to the Subscription Agreement
“Convertible Bonds Instrument”	the instrument constituting the Convertible Bonds to be issued by Dafy to the Company
“Dafy”	Dafy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1826)
“Dafy Share(s)”	ordinary share(s) of Dafy
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party not connected with the Company and its connected persons, having the meaning ascribed to such term under the Listing Rules
“Listing Approval”	the approval for the listing of, and permission to deal in, the Conversion Shares convertible under the Convertible Bonds by the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	ten (10) days from the date of the Subscription Agreement or such other date as the parties may agree in writing

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Security Deposit”	means a security deposit of RMB40 million made available by Dafy (or its designated subsidiary) to the Company (or its designated subsidiary) at the interest rate of 3.18% per annum payable by the Company (or its designated subsidiary). The Security Deposit shall only be refunded by the Company (or its designated subsidiary) to Dafy in proportion to the reduction of the outstanding amount of the Convertible Bonds in the event of conversion, repayment or redemption of the Convertible Bonds
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholders”	holders of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription by the Company of the Convertible Bonds in the principal amount of US\$8,000,000 as contemplated under the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into among Dafy and the Company dated 8 January 2020 in relation to the subscription for the Convertible Bonds by the Company in the principal amount of US\$8,000,000
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC for the time being in force, as amended and supplemented from time to time

“US\$” US dollar, the lawful currency of the United States of America

“%” per cent

By Order of the Board
Applied Development Holdings Limited
Wu Zhanming
Chairman and Executive Director

Hong Kong, 8 January 2020

As at the date of this announcement, the Executive Directors are Mr. Wu Zhanming (Chairman) and Mr. Yuen Chi Ping (Chief Executive Officer); the Non-executive Directors are Mr. Wu Tao and Mr. Yao Wei Rong and the Independent Non-executive Directors are Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin.

* *For identification purposes only*

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