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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)

SUPPLEMENTAL ANNOUNCEMENT REGARDING THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

Reference is made to the annual report of Applied Development Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 30 June 2019 published on 24 October 2019 (the “**Annual Report**”). Unless the context requires otherwise, capitalised items used herein shall have the same meanings as those defined in the Annual Report.

Further to the information disclosed in the Annual Report, the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company would like to provide the shareholders of the Company and the potential investors with the following supplementary information:

WRITE-DOWN OF PROPERTIES UNDER DEVELOPMENT

As disclosed in the Annual Report, the Company owns the Wuxi Shengye Project* (無錫盛業項目) located in Wuxi City, Jiangsu Province, the PRC, which has a total gross floor area of approximately 191,984 square metres (“**sq.m.**”) consisting of commercial portion, apartment portion and car parking spaces.

The Wuxi Shengye Project was classified as properties under development (the “**PUD**”), which amounted to approximately HK\$917,107,000 as at 30 June 2019 (after write-down of approximately HK\$65,576,000) (the “**Write-Down**”).

The Write-Down only related to the car parking spaces, the cost of which exceeded their net realisable value based on the valuation report of the PUD as at 30 June 2019 (the “**Valuation Report**”).

The Valuation Report was prepared by the independent professional valuer, AVISTA Valuation Advisory Limited (the “**Valuer**”), and the responsible person signing off of the Valuation Report is a member of the Hong Kong Institute of Surveyors (the “**HKIS**”) and a qualified valuer on the “List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers” published by the HKIS, and has over 20 years of valuation experience on properties in various regions including the PRC.

The residual method was adopted in the Valuation Report, which is based on the completed gross development value after deducting development costs and the Group’s return. It is a normal market practice to evaluate properties under development which are held for sales using the residual method, and there have been no changes in the valuation method or key values/assumptions when valuing the PUD previously, including the car parking spaces.

Principal assumption and inputs

1. The seller can sell the properties interests in the market without benefits of a deferred term contract, leaseback, joint venture, management agreement or similar arrangement, which could serve to affect the value of the property interests;
2. No allowance has been made for any changes, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale;
3. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value; and
4. The Group has obtained proper title certificates to the properties which can be freely transferred in the market in their existing state with no outstanding payable fees or monies.

5. The Valuer concluded a price of RMB70,000 per car parking unit as at 30 June 2019 based on the Valuer's research of the local market and relevant property price quotes from various real estate brokers, and their consideration of time, size, and location adjustments of the relevant comparables.

The Directors do not expect any subsequent changes to the valuation method as used in the Valuation Report will be necessary.

SIGNIFICANT INVESTMENTS

As disclosed in the Annual Report, the Company recorded the fair value of financial assets at fair value through profit or loss of approximately HK\$718.3 million, representing approximately 30.4% of the Company's total assets as at 30 June 2019.

The Group's investment strategy for its significant investments is mainly to diversify its investments in unlisted investment funds, listed equity securities and listed debt instruments. The following sets out a breakdown of the Group's significant investments with a value greater than 5% of its total assets as at 30 June 2019:

Redsun Properties Group Limited ("Redsun Properties")

On 28 June 2018, the Group entered into a cornerstone investment agreement to subscribe for 131,578,000 ordinary shares of Redsun Properties (stock code: 1996) at an aggregate consideration of HK\$300,000,000 (i.e. approximately HK\$2.28 per share). Redsun Properties and its subsidiaries are principally engaged in property development, commercial property investment and operation and hotel operation.

As at 30 June 2019, the Group held 131,578,000 ordinary shares of Redsun Properties, representing approximately 4.0% of its then total issued share capital. Such investment was recorded as financial assets at fair value through profit or loss. As at 30 June 2019, the fair value of the Group's holding in Redsun Properties was approximately HK\$351,313,000, representing approximately 14.9% of the Group's total assets. During the year ended 30 June 2019, the Group recorded a dividend income from its holding of Redsun Properties of approximately HK\$14.0 million and the fair value of the investment in Redsun Properties increased by HK\$51,313,000.

Zall Smart Commerce Group Limited (“Zall Smart”)

In June 2019, the Group settled a shareholder loan of HK\$200,000,000 with Wealth Guide Global Limited by receiving 140,000,000 ordinary shares of Zall Smart (stock code: 2098) with fair value of HK\$214,200,000 as at the completion date. Zall Smart and its subsidiaries are principally engaged in property development, tourism, investment, provision of healthcare products and services business and new energy business.

As at 30 June 2019, the Group held 140,000,000 ordinary shares of Zall Smart, representing approximately 1.2% of its then total issued share capital. As at 30 June 2019, the fair value of the Group’s holding in Zall Smart was approximately HK\$147,000,000, which amounted for 6.2% of the Company’s total assets. During the year ended 30 June 2019, the Group had not received any dividend or investment income from its holding of Zall Smart and its fair value decreased by HK\$67,200,000.

Green Asia Restructure SP and Green Asia Restructure SP II

Since 2017, the Group has invested in Green Asia Restructure SP and Green Asia Restructure SP II, both of which are segregated portfolios of Green Asia Restructure SPC (the “**Fund**”). The Fund is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability. The investment objective of the Fund is capital appreciation by engaging in the business of originating, underwriting, acquiring and trading debt securities and loans in listed and unlisted corporations, which may be publicly traded or privately placed.

As at 30 June 2019, the fair value of the Group’s investments in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$138,898,000 and HK\$61,099,000, respectively. The aggregate fair value of such investments accounted for 8.5% of the Group’s total assets. During the year ended 30 June 2019, the Group had not received any dividend or investment income from such investments and their aggregate fair value decreased by HK\$94,000.

The Board confirmed that the supplementary information provided in this announcement does not affect other information contained in the Annual Report. Save as disclosed above, the contents of the Annual Report remained unchanged.

By Order of the Board
Applied Development Holdings Limited
Wu Zhanming
*Chairman, Acting Chief Executive Officer and
Executive Director*

Hong Kong, 27 August 2020

As at the date of this announcement, the Board comprises (i) Mr. Wu Zhanming (Chairman and Acting Chief Executive Officer) as executive Director; (ii) Mr. Wu Tao and Mr. Yao Wei Rong as non-executive Directors; and (iii) Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin as independent non-executive Directors.

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

* *For identification purposes only*