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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)

INSIDE INFORMATION LETTER OF INTENT IN RELATION TO A POSSIBLE CAPITAL INJECTION INTO A PRC PROPERTY DEVELOPMENT COMPANY

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board of the Company is pleased to announce that, on 10 January 2017, the Company entered into the Letter of Intent with Herong Holdings, Nantong Ronghui and Yancheng Herong. Pursuant to the Letter of Intent, Yancheng Herong intends to increase its capital and the Company proposes to directly and/or indirectly through its wholly-owned subsidiary inject capital in the amount of approximately RMB150,000,000 in cash into Yancheng Herong. After such capital injection, the Company will directly and/or indirectly through its wholly-owned subsidiary (as the case may be) be interested in not less than 75% equity interest of Yancheng Herong.

The Proposed Capital Injection, if materialises, may constitute a major transaction of the Company under the Listing Rules. The Company will make further announcement(s) in relation to the Proposed Capital Injection as and when appropriate and comply with all other relevant requirements under the Listing Rules.

The shareholders of the Company and potential investors should note that the Proposed Capital Injection may or may not proceed and the final structure and terms of the Proposed Capital Injection, which are still subject to further negotiations amongst the parties, have yet to be finalised and may deviate from those set out in the Letter of Intent. In the event that the legally binding Formal Agreement is signed, further announcement(s) will be made by the Company in compliance with the Listing Rules. The shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

* For identification purpose only

LETTER OF INTENT

This announcement is made by Applied Development Holdings Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) is pleased to announce that, on 10 January 2017, the Company entered into a letter of intent (the “**Letter of Intent**”) with Herong Holdings Group Limited* (和融控股集團有限公司) (“**Herong Holdings**”), Nantong Ronghui Property Development Limited* (南通融匯房地產開發有限公司) (“**Nantong Ronghui**”) and Yancheng Herong Property Development Limited* (鹽城和融房地產開發有限公司) (“**Yancheng Herong**”).

Pursuant to the Letter of Intent, Yancheng Herong intends to increase its capital and the Company proposes to directly and/or indirectly through its wholly-owned subsidiary inject capital in the amount of approximately RMB150,000,000 in cash into Yancheng Herong. After such capital injection, the Company will directly and/or indirectly through its wholly-owned subsidiary (as the case may be) be interested in not less than 75% equity interest of Yancheng Herong (the “**Proposed Capital Injection**”).

As at the date of this announcement, Yancheng Herong is directly owned as to 40% and 60% by Herong Holdings and Nantong Ronghui respectively. Yancheng Herong is a limited company established under laws of the People’s Republic of China (the “**PRC**”), and is principally engaged in property development. The principal asset of Yancheng Herong is the Youshanmeidi Garden Project* (優山美地花園項目) located at Yandu district, Yancheng City, Jiangsu Province, the PRC and its land use rights. The Youshanmeidi Garden Project will be developed in three phases. The first phase is currently under development with 115 units of villa and various ancillary facilities thereon.

To the best knowledge, information and belief of the Board, each of Herong Holdings, Nantong Ronghui, Yancheng Herong and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Key Terms of the Letter of Intent

The estimated amount of the Proposed Capital Injection is expected to be approximately RMB150,000,000. The final amount of the Proposed Capital Injection (the “**Consideration**”) is still subject to further negotiation and determination among the parties with reference to the registered capital and paid-up capital of Yancheng Herong as at the date of the Letter of Intent. The amount of the Proposed Capital Injection and the shareholding ratio after the Proposed Capital Injection are subject to the terms of the capital injection agreement and other ancillary legal documents (collectively, the “**Formal Agreement**”) to be entered into among the parties (if so agreed).

The conditions precedent to the completion of the Proposed Capital Injection shall include, but are not limited to, satisfaction of the requirements in respect of the Proposed Capital Injection and other matters contemplated under the Formal Agreement, compliance with the relevant laws, the requirements of the Listing Rules and the requests of The Stock Exchange of Hong Kong Limited, and obtaining all relevant regulatory approvals, all necessary third party consents and/or the necessary approval by the Company and/or the shareholders of the Company (if applicable).

Earnest Money

The Company agreed that the Company (or its designated party(ies)) shall pay a sum of RMB15,000,000 as earnest money to the bank account of Yancheng Herong for the Proposed Capital Injection (the “**Earnest Money**”) within 15 business days from the date of the Letter of Intent.

The six months after the date of the Letter of Intent shall be treated as an exclusive negotiation period (the “**Exclusive Negotiation Period**”), during which the Company will conduct due diligence reviews on the financial, legal and valuation aspects of Yancheng Herong and its assets and projects, and will conduct further negotiation in respect of the Proposed Capital Injection.

In the event that the Company, Herong Holdings, Nantong Ronghui and Yancheng Herong entered into the Formal Agreement in relation to the Proposed Capital Injection during the Exclusive Negotiation Period, the Earnest Money shall be applied as payment of part of the Consideration. In the event that the parties are unable to enter into the Formal Agreement in relation to the Proposed Capital Injection after the expiry of the Exclusive Negotiation Period, the Earnest Money and the interest accrued thereon are to be refunded in full to the Company or the designated party(ies) of the Company (as the case may be) within 3 business days after expiry of the Exclusive Negotiation Period, and Herong Holdings, Nantong Ronghui and Yancheng Herong shall not raise any objection or claim in respect of the refund of the Earnest Money.

Exclusive Negotiation

During the Exclusive Negotiation Period, Herong Holdings, Nantong Ronghui and Yancheng Herong shall not enquire, recommend, offer or negotiate directly or indirectly with any person or entity (other than the Company and its designated parties) in respect of any transaction in relation to or similar to the Proposed Capital Injection.

The parties endeavour to enter into the Formal Agreement subject to the results of the due diligence reviews and the negotiation between the parties. The entering into of the Formal Agreement by the parties shall be subject to the following factors:

- (a) the Company being satisfied with the results of the due diligence reviews, and there is no occurrence of any change to the results of the due diligence reviews or the conditions of Yancheng Herong or its project that are not acceptable to the Company prior to the execution of the Formal Agreement; and
- (b) the structure of the Proposed Capital Injection and the terms of the Formal Agreement having been agreed amongst the parties.

Nature of the Letter of Intent

The Letter of Intent does not constitute any legally binding commitment amongst the parties in respect of the Proposed Capital Injection, save and except that each party agrees to be legally bound by certain provisions relating to, among others, the Earnest Money, the Exclusive Negotiation Period, confidentiality obligations and the applicable law. The Proposed Capital Injection is subject to negotiation of the terms of the Formal Agreement amongst the parties and the execution and completion of the Formal Agreement, if any.

GENERAL

The Proposed Capital Injection, if materialises, may constitute a major transaction of the Company under the Listing Rules. The Company will make further announcement(s) in relation to the Proposed Capital Injection as and when appropriate and comply with all other relevant requirements under the Listing Rules.

The shareholders of the Company and potential investors should note that the Proposed Capital Injection may or may not proceed and the final structure and terms of the Proposed Capital Injection, which are still subject to further negotiations amongst the parties, have yet to be finalised and may deviate from those set out in the Letter of Intent. In the event that the legally binding Formal Agreement is signed, further announcement(s) will be made by the Company in compliance with the Listing Rules. The shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 10 January 2017

As at the date of this announcement, the Non-executive Director is Mr. Wang Bo (Chairman); the Executive Directors are Mr. Yuen Chi Ping (Chief Executive Officer) and Ms. Ng Kit Ling and the Independent Non-executive Directors are Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin.

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

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