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APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

**WHITEWASH WAIVER IN CONNECTION WITH THE
PROPOSED FULL CONVERSION OF THE CONVERTIBLE BONDS DUE 2018**

The Board has been informed by Mr. Hung that he wishes, subject to the Approvals, to exercise in full the conversion rights attaching to the Convertible Bonds Due 2018. In this connection, Mr. Hung has delivered an Undertaking in favour of the Company, amongst other things, to exercise his conversion rights under the Convertible Bonds Due 2018 in full within one Business Day after the Approvals are obtained and not to transfer any of his interests in the Convertible Bonds Due 2018 at any time before the Long-stop Date.

Mr. Hung and Hung Concert Parties together hold 422,100,584 Shares, representing approximately 41.72% of the voting rights of the Company. Upon Full Conversion of the HK\$31,080,000 Convertible Bonds Due 2018 at the current Conversion Price of HK\$0.21 per Share, 148,000,000 Conversion Shares, representing approximately 14.63% of the entire issued Shares of the Company as at the date of this announcement and approximately 12.76% of the entire issued Share of the Company as enlarged by the issue of the Conversion Shares, will be issued to Mr. Hung. Accordingly, the voting rights in the Company held by Mr. Hung and Hung Concert Parties will increase by more than 2%, from approximately 41.72% to approximately 49.16% (assuming no other changes to the total number of issued Shares between the date of this announcement and the date of Full Conversion). In the absence of the Whitewash Waiver, upon Full Conversion Mr. Hung and Hung Concert Parties would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them as a result of the issue of the Conversion Shares.

An application to the Executive for the Whitewash Waiver will be made shortly after publication of this announcement. The Whitewash Waiver, if granted by the Executive, would be subject to, among other

things, the approval of the Independent Shareholders at the SGM by way of poll. Mr. Hung and Hung Concert Parties, and any other Shareholders who are involved or interested in the Full Conversion and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution approving the Whitewash Waiver.

An independent board committee comprising all independent non-executive Directors, namely Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, has been established to advise the Independent Shareholders in respect of the resolutions to approve the Whitewash Waiver. Proton Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders on whether the terms of the Whitewash Waiver are fair and reasonable, in the interests of the Company and the Shareholders as a whole, and to make recommendation to the Independent Shareholders on how to vote. The appointment of Proton Capital Limited as the independent financial adviser has been approved by the independent board committee.

A circular containing, among other things, (i) the details of the Whitewash Waiver (and the related Full Conversion proposal); (ii) a letter of recommendation from the independent board committee to the Independent Shareholders in respect of the Whitewash Waiver; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the Whitewash Waiver; and (iv) other information as required under the Listing Rules and the Takeovers Code, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 3 December 2013.

The Full Conversion will not proceed if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders. Securities holders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

The Board has been informed by Mr. Hung that he wishes, subject to the Approvals, to exercise in full the conversion rights attaching to the Convertible Bonds Due 2018. In this connection, Mr. Hung has delivered an irrevocable undertaking dated 12 November 2013 in favour of the Company, amongst other things, to exercise his conversion rights under the Convertible Bonds Due 2018 in full within one Business Day after the Approvals are obtained and not to transfer any of his interests in the Convertible Bonds Due 2018 at any time before the Long-stop Date.

PROPOSED FULL CONVERSION OF THE CONVERTIBLE BONDS DUE 2018

The zero-coupon Convertible Bonds Due 2018 in the outstanding principal amount of HK\$31,080,000 that are proposed to be converted in full by Mr. Hung were issued on 29 May 2013 to Mr. Hung with the approval of independent Shareholders by resolution passed on 22 May 2013. The Convertible Bonds Due 2018 will mature on 29 May 2018 and are convertible into Shares at the Conversion Price of HK\$0.21 per Share (subject to adjustments).

The current Conversion Price of HK\$0.21 per Share represents: (i) a discount of approximately 55.79% to the closing price of HK\$0.4750 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 55.46% to the volume weighted average closing price of HK\$0.4715 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 57.09% to the volume weighted average closing price of HK\$0.4894 per Share as quoted on the Stock Exchange for the last ten

consecutive trading days up to and including the Last Trading Day.

Based on the current Conversion Price and assuming Full Conversion at the current Conversion Price, the Convertible Bonds Due 2018 will be convertible into 148,000,000 Conversion Shares, representing approximately 14.63% of the entire issued Shares of the Company as at the date of this announcement and approximately 12.76% of the entire issued Shares of the Company as enlarged by the issue of the Conversion Shares. As at the date of this announcement, Mr. Hung and Hung Concert Parties held 422,100,584 Shares, representing approximately 41.72% of the voting rights of the Company.

The following table illustrates (i) the existing shareholding structure of the Company; and (ii) the shareholding structure immediately after the Full Conversion. As at the date of this announcement, other than the Convertible Bonds Due 2018, the Company does not have any options, warrants or convertible securities in issue.

Shareholder	Existing (as at The date of this announcement)		Immediately after Full Conversion ^{Note 1}	
	No. of Shares	Percentage of entire issued Shares (%)	No. of Shares	Percentage of entire issued Shares (%)
Mr. Hung and Hung Concert Parties:				
- Hung Kin Sang, Raymond (executive Director) ^{Note 2}	419,140,584	41.4263	567,140,584	48.9010
- Hung Kai Mau, Marcus (executive Director)	2,960,000	0.2926	2,960,000	0.2552
Total:	422,100,584	41.7189	570,100,584	49.1562
Ng Kit Ling (executive Director)	10,000	0.0010	10,000	0.0009
Public Shareholders	589,663,242	58.2801	589,663,242	50.8429
Total:	1,011,773,826 ^{Note 3}	100	1,159,773,826	100

Note 1. Assuming that other than the 148,000,000 Conversion Shares to be issued upon Full Conversion, there is no other change to the total number of issued Shares from the date of this announcement to the date of Full Conversion.

Note 2. Mr. Hung's interests in the Shares include 44,362,883 Shares held by Malcolm Trading Inc. and 30,660,000 Shares held by Jaytime Overseas Ltd. Each of Malcolm Trading Inc. and Jaytime Overseas Ltd. is a company wholly-owned and controlled by Mr. Hung.

Note 3. This includes 174,000,000 Shares issued in October 2013 upon the full conversion of the Convertible Bonds Due 2013.

Save as disclosed in the table above, Mr. Hung and the Hung Concert Parties do not hold any other voting rights or rights over shares in the Company nor any options, warrants or other securities convertible into Shares.

As shown in the table above, upon Full Conversion of the HK\$31,080,000 Convertible Bonds Due 2018 at the current Conversion Price of HK\$0.21 per Share, 148,000,000 Conversion Shares, representing approximately 14.63% of the entire issued Shares of the Company as at the date of this

announcement and approximately 12.76% of the entire issued Share of the Company as enlarged by the issue of the Conversion Shares, will be issued to Mr. Hung. Accordingly, the voting rights in the Company held by Mr. Hung and Hung Concert Parties will increase by more than 2%, from approximately 41.72% to approximately 49.16% (assuming no other changes to the total number of issued Shares between the date of this announcement and the date of Full Conversion). In the absence of the Whitewash Waiver, upon Full Conversion Mr. Hung and Hung Concert Parties would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them as a result of the issue of the Conversion Shares.

The executive Directors note that while the Convertible Bonds Due 2018 are not repayable until 2018 and, being non-interest bearing, requires no debt servicing, Full Conversion can result in improvement in the financial position of the Company. With the elimination of the Company's repayment obligations under the Convertible Bonds Due 2018 on Full Conversion, not only will the Group have removed the need to secure cash for the redemption of the Convertible Bonds Due 2018 on maturity, the Group's net asset value (being HK\$419,956,000 as at 30 June 2013) will increase by HK\$22,745,000, (being the fair value of the liability component of the Convertible Bonds Due 2018 recognised in the audited financial statements of the Company for the year ended 30 June 2013) and its gearing ratio will reduce from approximately 22.31% (after taking into account the full conversion of the Convertible Bonds Due 2013 in October 2013) to 16.56%. The executive Directors believe that this significant improvement of the financial position of the Group can enhance the Group's ability to raise financing in the future, should funding requirements arise, and therefore consider that the granting of the Whitewash Waiver to facilitate Full Conversion is in the interests of the Company and the Shareholders as a whole.

WHITEWASH WAIVER APPLICATION

An application to the Executive for the Whitewash Waiver will be made shortly after the publication of this announcement. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Mr. Hung and Hung Concert Parties, and any other Shareholders who are involved or interested in the Full Conversion and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution approving the Whitewash Waiver. Full Conversion will not proceed if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders.

Mr. Hung has issued the Undertaking in favour of the Company which states, among other things, that: (i) subject to the Approvals, he will exercise his conversion rights under the Convertible Bonds Due 2018 in full within one Business Day after the Approvals are obtained; (ii) he will not transfer or otherwise dispose of any of his interests in the Convertible Bonds Due 2018 from the date of the Undertaking until the earlier of: (a) the date of exercise of his conversion rights under the Convertible Bonds Due 2018 in accordance with the Undertaking and (b) the Long-stop Date, unless he is notified earlier by the Company in writing that the Approvals cannot be obtained; and (iii) he will not, and he will ensure that the Hung Concert Parties will not, acquire or dispose of any voting rights in the Company in a "disqualifying transaction" under the Whitewash Guidance Note of the Takeovers Code at any time before the Long-stop Date.

Mr. Hung has confirmed that neither he nor any of the Hung Concert Parties: has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of this announcement or owns, controls or has direction over any options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company, other than his subscription of

the Convertible Bonds Due 2018. He has also confirmed that neither he nor any of the Hung Concert Parties has (i) any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Whitewash Waiver; (ii) borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company (save for any borrowed Shares which have been either on-lent or sold); (iii) received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the Whitewash Waiver; or (iv) any agreements or arrangements to which Mr. Hung is a party which relate to the circumstances in which he may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver.

GENERAL INFORMATION

An independent board committee comprising all independent non-executive Directors, namely Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, has been established to advise the Independent Shareholders in respect of the resolutions to approve the Whitewash Waiver. Proton Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders on whether the terms of the Whitewash Waiver are fair and reasonable, in the interests of the Company and the Shareholders as a whole, and to make recommendation to the Independent Shareholders on how to vote. The appointment of Proton Capital Limited as the independent financial adviser has been approved by the independent board committee.

A circular containing, among other things, (i) the details of the Whitewash Waiver (and the related Full Conversion proposal); (ii) a letter of recommendation from the independent board committee to the Independent Shareholders in respect of the Whitewash Waiver; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the Whitewash Waiver; and (iv) other information as required under the Listing Rules and the Takeovers Code, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 3 December 2013 .

The Full Conversion will not proceed if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders. Securities holders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

For the purposes of this announcement, capitalized terms appearing herein shall, unless the context otherwise requires, have the meanings set out below:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Approvals”	the grant of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders in general meeting
“Board”	board of directors of the Company

“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“Company”	Applied Development Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Conversion Price”	conversion price per Share of the Convertible Bonds Due 2018, the initial conversion price being HK\$0.21 per Share (which is subject to adjustments as set out in the terms and conditions governing the Convertible Bonds Due 2018)
“Conversion Shares”	the Shares to be issued upon exercise of the conversion rights attaching to the Convertible Bonds Due 2018
“Convertible Bonds Due 2013”	8% convertible bonds due 2013 in the aggregate principal amount of HK\$41,760,000 issued by the Company pursuant to a placing agreement dated 1 December 2010 and which were fully converted into 174,000,000 Shares in October 2013
“Convertible Bonds Due 2018”	convertible bonds due 2018 in the aggregate principal amount of HK\$31,080,000 issued by the Company to Mr. Hung pursuant to a subscription agreement dated 16 April 2013
“Directors”	directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
“Full Conversion”	conversion of all outstanding Convertible Bonds Due 2018 into Conversion Shares and the issue of 148,000,000 Conversion Shares to Mr. Hung
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hung Concert Parties”	parties acting in concert with Mr. Hung in respect of the Company which, as at the date of this announcement, include Malcolm Trading Inc., Jaytime Overseas Ltd. and Hung Kai Mau, Marcus (an executive Director and the son of Mr. Hung)
“Independent Shareholders”	Shareholders other than Mr. Hung, the Hung Concert Parties and those who are involved or interested in the Full Conversion and the Whitewash Waiver who are required by the Listing Rules and/or the Takeovers Code to abstain from voting in respect of the resolution(s) relating to the Whitewash Waiver at the SGM

“Last Trading Day”	12 November 2013, being the last trading day in the Shares immediately before the publication of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange
“Long-stop Date”	31 January 2014
“Mr. Hung”	Raymond Hung Kin Sang, an executive Director and a substantial shareholder of the Company
“SGM”	special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Whitewash Waiver
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Undertaking”	the undertaking given by Mr. Hung in favour of the Company and described further under the section headed “Whitewash Waiver Application”
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, in respect of the obligations of Mr. Hung and Hung Concert Parties to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Mr. Hung and Hung Concert Parties which would otherwise arise as a result of the Full Conversion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
Applied Development Holdings Limited
Tang Sung Ki
Company Secretary

Hong Kong, 12 November 2013

**for identification purpose only*

As at the date of this announcement, the Board comprises Mr. Hung Kin Sang, Raymond, Mr. Hung Kai Mau, Marcus and Ms. Ng Kit Ling as executive Directors; Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.