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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)

MAJOR TRANSACTION IN RELATION TO

CAPITAL INJECTION INTO YANCHENG HERONG PROPERTY DEVELOPMENT COMPANY LIMITED*

THE CAPITAL INJECTION AGREEMENT

The Board is pleased to announce that on 23 January 2017 (after trading hours), (i) the Company, (ii) Nantong Ronghui and Herong Holdings (both being Original Shareholders of Yancheng Herong and currently holding 60% and 40% of the equity interests of Yancheng Herong respectively), and (iii) Yancheng Herong entered into the Capital Injection Agreement, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital of RMB150,000,000 into Yancheng Herong by way of cash contribution.

Upon completion of the Capital Injection, Yancheng Herong will be held as to 75%, 15% and 10% equity interests by the Group, Nantong Ronghui and Herong Holdings respectively, and the registered capital of Yancheng Herong will be increased from RMB50,000,000 to RMB200,000,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Capital Injection is more than 25% but less than 100%, the Capital Injection under the Capital Injection Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider, and if thought fit, pass the resolutions to approve, among other things, the Capital Injection Agreement and the transactions contemplated thereunder.

* for identification purposes only

As more time is needed to prepare the relevant financial and other information to be included in the circular in accordance with the relevant requirements of the Listing Rules, a circular containing, among others, (i) further details of the Capital Injection Agreement and the transactions contemplated thereunder, the accountant's report on Yancheng Herong, and the unaudited pro forma financial information of the enlarged Group after the Capital Injection, and (ii) a notice of the SGM, will be despatched to the Shareholders in accordance with the Listing Rules on or before 12 April 2017.

Shareholders and investors of the Company should note that the completion of the Capital Injection Agreement is conditional upon the fulfillment (or waiver, if applicable) of the relevant conditions precedent contained therein, and the Capital Injection may or may not proceed. Shareholders and investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

THE CAPITAL INJECTION AGREEMENT

Reference is made to the announcement of the Company dated 10 January 2017 in relation to the Letter of Intent (the “**LOI Announcement**”) entered into amongst the Company, Herong Holdings, Nantong Ronghui and Yancheng Herong with respect to the proposed Capital Injection.

The Board is pleased to announce that on 23 January 2017 (after trading hours), (i) the Company, (ii) Nantong Ronghui and Herong Holdings (both being Original Shareholders of Yancheng Herong and currently holding 60% and 40% of the equity interests of Yancheng Herong respectively), and (iii) Yancheng Herong entered into the Capital Injection Agreement, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital of RMB150,000,000 into Yancheng Herong by way of cash contribution.

Upon completion of the Capital Injection, Yancheng Herong will be held as to 75%, 15% and 10% equity interests by the Group, Nantong Ronghui and Herong Holdings respectively, and the registered capital of Yancheng Herong will be increased from RMB50,000,000 to RMB200,000,000.

Major terms of the Capital Injection Agreement are set out below:

Date

23 January 2017 (after trading hours)

Parties

- (i) the Company;
- (ii) Nantong Ronghui and Herong Holdings, the Original Shareholders of Yancheng Herong; and
- (iii) Yancheng Herong.

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, 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.

Capital Injection

As at the date of this announcement (being the date of the Capital Injection Agreement), Yancheng Herong has a registered capital of RMB50,000,000, which is subscribed and fully paid by Nantong Ronghui and Herong Holdings in cash as to 60% and 40% respectively.

Pursuant to the Capital Injection Agreement, the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital in the amount of RMB150,000,000 into Yancheng Herong by way of cash contribution. Upon completion of the Capital Injection, Yancheng Herong will be held as to 75%, 15% and 10% equity interests by the Group, Nantong Ronghui and Herong Holdings respectively, and the registered capital of Yancheng Herong will be increased from RMB50,000,000 to RMB200,000,000.

The amount of the Capital Injection was determined after arm's length negotiations between the Company and the Original Shareholders with reference to (i) the original registered capital and paid-up capital of Yancheng Herong made by the Original Shareholders; (ii) the registered capital of Yancheng Herong after the Capital Injection; and (iii) the value of the principal asset of Yancheng Herong.

As disclosed in the LOI Announcement, the Company agreed to pay the earnest money in a sum of RMB15,000,000 (the "**Earnest Money**") to Yancheng Herong pursuant to the terms of the Letter of Intent, and such Earnest Money was paid by the Company to Yancheng Herong on 12 January 2017.

The total consideration payable by the Company for the Capital Injection is RMB150,000,000, which will be paid by installments in the following manners:

- (i) as to RMB30,000,000, representing 20% of the total consideration for the Capital Injection, will be paid by the Company within 15 business days after the completion of the Share Pledge (being one of the Capital Injection Conditions as set out below in this announcement), and will be partially offset by the Earnest Money paid by the Company;
- (ii) as to the remaining RMB120,000,000, representing 80% of the total consideration for the Capital Injection, will be paid by the Company within 10 business days after the fulfillment (or waiver, if applicable) of all other Capital Injection Conditions.

Payment of the Capital Injection will be funded by internal resources and/or external borrowings of the Group.

Conditions Precedent

The payment of the Capital Injection in the amount of RMB150,000,000 is conditional upon the fulfillment (or waiver, if applicable) of one or more of the following conditions precedent (the "**Capital Injection Conditions**"):

- (1) the Company being satisfied with the results of the due diligence reviews on, among others, the financial, legal and valuation aspects of Yancheng Herong and the projects held by it, and there having been no change to the results of the due diligence reviews that are not acceptable to the Company prior to the date of payment of the Capital Injection; and based the results of the due diligence reviews, Yancheng Herong having taken the appropriate remedial actions (if necessary) (including but not limited to the confirmation and verification of the fund transfer between Yancheng Herong and its related parties, the payment method and date of payment in respect of the accounts receivable and accounts payable), which is satisfactory and acceptable to the Company;

- (2) the Original Shareholders, Yancheng Herong and the Company having obtained all necessary government approvals required under the relevant laws and regulations and all necessary consents from third parties which are required for the Capital Injection Agreement and the transactions contemplated thereunder;
- (3) the Company having published the relevant announcement(s) and/or circular(s) (if applicable) and having obtained the Shareholders' approval (if applicable) in accordance with the relevant requirements of the Listing Rules and the Stock Exchange in relation to the Capital Injection Agreement and the transactions contemplated thereunder;
- (4) in the opinion of the Company, there having been no material adverse change in relation to Yancheng Herong and/or the projects held by it;
- (5) the Original Shareholders' representations and warranties contained in the Capital Injection Agreement having remained true, accurate and not misleading;
- (6) there having been no restriction, prohibition, injunction, invalidation or of any kind which prevents (or seeks to prevent) the Capital Injection and the transactions contemplated under the Capital Injection Agreement by any government authorities;
- (7) the Original Shareholders having pledged the entire equity interests of Yancheng Herong held by them to the Company (or its designated persons), and the relevant registration of the pledge having been completed (the "**Share Pledge**"); and
- (8) the Original Shareholders having complied with all of their respective obligations under the Capital Injection Agreement.

The Original Shareholders shall use their best endeavors to procure the fulfillment of all Capital Injection Conditions on or before 30 April 2017. The Company may waive, in whole or in part, conditionally or unconditionally, conditions set out in paragraphs (1), (4), (5), (7) and (8) above by written notice to the Original Shareholders. The conditions set out in paragraphs (2), (3) and (6) above cannot be waived. As at the date of this announcement, none of the above Capital Injection Conditions have been fulfilled.

Completion

Completion of the Capital Injection shall take place within 5 business days after the consideration of the Capital Injection is paid in full and upon completion of the registration with the relevant administration for industry and commerce in the PRC in respect of the Capital Injection.

Termination

In the event of any material breach of the Capital Injection Agreement which is not remedied within 20 business days, the non-defaulting party(ies) shall have the right to (a) terminate the Capital Injection Agreement; and (b) request the defaulting party(ies) to compensate in full the losses and damages suffered in connection with such breach.

In addition, if the Capital Injection Conditions have not been fulfilled or waived (as the case may be) for whatever reason on or before 31 January 2018 or the completion of the Capital Injection has not taken place in accordance with the terms of the Capital Injection, the Company shall have the right to terminate the Capital Injection Agreement by written notice.

Information on Herong Holdings, Nantong Ronghui and Yancheng Herong

Herong Holdings is a limited company established under laws of the PRC, and is principally engaged in investment holdings, assets management and property development and operation.

Nantong Ronghui is a limited company established under laws of the PRC, and is principally engaged in property development and leasing.

Yancheng Herong is a limited company established under the laws of the PRC, and is principally engaged in property development. As at the date of this announcement, Yancheng Herong is directly owned as to 60% and 40% by Nantong Ronghui and Herong Holdings respectively.

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.

Set out below is the unaudited financial information of Yancheng Herong for the two financial years ended 31 December 2015 and 2016 prepared in accordance with the generally accepted accounting principles in the PRC:

	For the financial year ended	
	31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before and after taxation and extraordinary items	(9,409)	(8,036)
	As at 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	8,811	775

The valuation report of the principal asset of Yancheng Herong, the Youshanmeidi Garden Project*, will be carried by an independent valuer, the valuation report will be included in the circular to be despatched to the Shareholders on or before 12 April 2017.

REASONS FOR AND BENEFIT OF THE CAPITAL INJECTION

The Company is an investment holding company and the Group is principally engaged in resort and property development, property investment and investment holding.

It was mentioned in the 2015 annual report of the Company that the Group will continue to look for investment opportunities with attractive returns that can bring significant values to the Shareholders. The Group has been actively identifying investment opportunities in pursuit of its business strategy.

“Capital Injection”	the capital injection into Yancheng Herong by the Company (or through its wholly-owned subsidiary) pursuant to the terms and conditions of the Capital Injection Agreement;
“Capital Injection Agreement”	the agreement dated 23 January 2017 entered into amongst (i) the Company, (ii) Nantong Ronghui and Herong Holdings, and (iii) Yancheng Herong in relation to the Capital Injection;
“Capital Injection Conditions”	the conditions precedent set out in the paragraph “Conditions Precedent” under the section headed “the Capital Injection Agreement” in this announcement;
“Company”	Applied Development Holdings Limited (實力建業集團有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code:519);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Herong Holdings”	Herong Holdings Group Limited* (和融控股集團有限公司), a limited company established under laws of the PRC, directly holding 40% of the equity interests of Yancheng Herong as at the date of this announcement;
“Letter of Intent”	the letter of intent dated 10 January 2017 entered into among the Company, Herong Holdings, Nantong Ronghui and Yancheng Herong with respect to the proposed Capital Injection;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Original Shareholders”	collectively, Herong Holdings and Nantong Ronghui;
“Nantong Ronghui”	Nantong Ronghui Property Development Limited* (南通融匯房地產開發有限公司), a limited company established under laws of the PRC, directly holding 60% of the equity interests of Yancheng Herong as at the date of this announcement;
“PRC”	the People’s Republic of China, which for the purposes of this announcement only (unless otherwise indicated) excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;

“SGM”	the special general meeting of the Shareholders to be convened by the Company to consider and approve, among others, the Capital Injection Agreement and the transactions contemplated thereunder;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the issued Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Yancheng Herong”	Yancheng Herong Property Development Limited* (鹽城和融房地產開發有限公司), a limited company established under laws of the PRC and is directly owned as to 60% and 40% by Nantong Ronghui and Herong Holdings respectively as at the date of this announcement;
“%”	per cent.

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

Hong Kong, 23 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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