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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 DISPOSAL OF SHARES IN REDSUN PROPERTIES

DISPOSAL OF SHARES IN REDSUN PROPERTIES

Reference is made to the announcement of the Company dated 28 June 2018 in relation to subscription of the Redsun Properties Shares and the announcement of the Company dated 26 July 2019 in relation to the Prior Disposal.

The Board announces that on 15 August 2019 (after trading hours), Dragon Bell (a wholly-owned subsidiary of the Company) entered into the Sales and Purchase Agreement with the Purchaser in relation to the disposal of the Sale Shares. Pursuant to the Sales and Purchase Agreement, the selling price per Sale Share will be determined by the Parties on the Completion Date and shall be within the Price Range. For illustrative purpose, the maximum Consideration will be HK\$101,750,000 assuming the selling price per Sale Share is determined at the high end of the Price Range.

LISTING RULES IMPLICATIONS

As the Prior Disposal and the Disposal are entered into with the same Purchaser and both involve the disposal of Redsun Properties Shares, which form a series of transactions conducted within a 12-month period, the Disposal is required to be aggregated with the Prior Disposal for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. Assuming that the Sale Share are disposed at the maximum price within the Price Range, the highest applicable percentage ratio under the Listing Rules in respect of the Disposal (on its own and after aggregation with the Prior Disposal) is more than 25% but be less than 75%. Therefore, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened for the purposes of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the Sales and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information relating to the Disposal of the Sale Shares; (ii) a notice convening the EGM; and (iii) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 5 September 2019.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Sales and Purchase Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the Shares and other securities of the Company.

Reference is made to the announcement of the Company dated 28 June 2018 in relation to subscription of Redsun Properties Shares and the announcement of the Company dated 26 July 2019 in relation to the Prior Disposal.

The Board announces that on 15 August 2019 (after trading hours), Dragon Bell (a wholly-owned subsidiary of the Company) entered into the Sales and Purchase Agreement with the Purchaser in relation to the disposal of the Sale Shares, the principal terms of which are set out as follows:

THE SALES AND PURCHASE AGREEMENT

Date: 15 August 2019

Parties: (1) Dragon Bell (as vendor); and
(2) the Purchaser (as purchaser)

Assets to be disposed of

The Sale Shares, comprising 37,000,000 Redsun Properties Shares, represent approximately 1.11% of the total issued share capital of Redsun Properties (based on the total issued shares of 3,320,000,000 as at 31 July 2019 according to the monthly return of Redsun Properties dated 5 August 2019). Following the Disposal, the Group will hold 76,078,000 Redsun Properties Shares, representing approximately 2.29% of the total issued share capital of Redsun Properties. Dragon Bell originally subscribed for 131,578,000 Redsun Properties Shares at the total subscription price of HK\$299,997,840 or HK\$2.28 per Redsun Properties Share on 12 July 2018.

Consideration

Pursuant to the Sales and Purchase Agreement, the selling price per Sale Share will be determined by the Parties on the Completion Date and shall be within the Price Range. The Price Range was arrived at after arm's length negotiations between Dragon Bell and the Purchaser taking into consideration of the recent trading prices of Redsun Properties Shares.

The maximum price of HK\$2.75 within the Price Range represents:

- (i) a premium of approximately 12.7% over the closing price of HK\$2.44 per Redsun Properties Shares on 14 August 2019, being the last trading day of the Redsun Properties Shares prior to the date of the Sales and Purchase Agreement;
- (ii) a premium of approximately 14.1% over the average closing price of approximately HK\$2.41 per Redsun Properties Shares for the five trading days immediately prior to the date of the Sales and Purchase Agreement; and
- (iii) a premium of approximately 8.5% over the average closing price of approximately HK\$2.535 per Redsun Properties Shares for the 30 trading days immediately prior to the date of the Sales and Purchase Agreement.

The minimum price of HK\$2.30 within the Price Range represents:

- (i) a discount of approximately 5.7% over the closing price of HK\$2.44 per Redsun Properties Shares on 14 August 2019, being the last trading day of the Redsun Properties Shares prior to the date of the Sales and Purchase Agreement;
- (ii) a discount of approximately 4.6% over the average closing price of approximately HK\$2.41 per Redsun Properties Shares for the five trading days immediately prior to the date of the Sales and Purchase Agreement; and
- (iii) a discount of approximately 9.27% over the average closing price of approximately HK\$2.535 per Redsun Properties Shares for the 30 trading days immediately prior to the date of the Sales and Purchase Agreement.

For illustrative purpose, the maximum Consideration will be HK\$101,750,000 assuming the selling price per Sale Share is determined at the high end of the Price Range.

The Price Range provides flexibility for the Parties to accommodate change in market condition and ensure that the Company can dispose the Sale Shares at an acceptable price, which is higher than its subscription cost.

Conditions Precedent

The obligations of the Purchaser to proceed to the Completion is conditional upon the fulfillment or waiver (if applicable) by the Purchase of the following conditions:

- (a) representations and warranties given by Dragon Bell under the Sales and Purchase Agreement being true, correct and not misleading when made and remaining true, correct and not misleading as at the Completion Date; and
- (b) Dragon Bell having published the relevant announcement and/or circular (if necessary) and having obtained the approval (if necessary) in relation to the Sales and Purchase Agreement and the transactions contemplated therein from the Shareholders pursuant to the relevant requirements under the Listing Rules and the requirements of the Stock Exchange.

The obligations of Dragon Bell to proceed to the Completion is conditional upon the fulfillment or waiver by Dragon Bell of the following condition:

- (a) representations and warranties given by the Purchaser under the Sales and Purchase Agreement being true, correct and not misleading when made and remaining true, correct and not misleading as at the Completion Date.

Completion

Completion of the Sales and Purchase Agreement shall take place within fifteen Business Days following the satisfaction or waiver (if applicable) of the conditions precedent to the Sales and Purchase Agreement or such other date as mutually agreed by the Parties, but in any event the Completion shall take place no later than 31 October 2019.

Termination

The Sales and Purchase Agreement shall be terminated:

- (a) if any business which shall be transacted by the parties on the Completion Date is not complied with, the party which is not in default may terminate the Sales and Purchase Agreement in its absolute discretion and by notice in writing to the other party; or
- (b) upon agreement by the parties in writing that the Sales and Purchase Agreement shall be terminated.

INFORMATION OF REDSUN PROPERTIES

Redsun Properties, together with its subsidiaries, are a property developer in Jiangsu Province, China, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties.

The following audited financial information is extracted from the 2018 annual report of Redsun Properties:

| | For the year ended | |
|---------------------|---------------------------|--------------------|
| | 31 December | |
| | 2017 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 6,139,672 | 9,238,741 |
| Profit before tax | 1,900,784 | 2,175,378 |
| Profit for the year | 1,195,483 | 1,323,125 |
| | As at | As at |
| | 31 December | 31 December |
| | 2017 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Total assets | 41,325,343 | 67,922,064 |
| Net assets | 8,456,866 | 13,849,745 |

INFORMATION OF THE GROUP AND THE PARTIES

The Group

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

Dragon Bell

Dragon Bell is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

The Purchaser

The Purchaser is an investment holding company incorporated in British Virgin Islands with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES AND PURCHASE AGREEMENT

The Group is principally engaged in resort and property development, property investment and investment holding. The purpose of the Disposal is to allow the Group to realize the investment in the Redsun Properties Shares and repay the margin loan in relation to subscription of the Redsun Properties Shares.

The Group had been entitled to approximately HK\$4.0 million dividend income from Redsun Properties with respect to the Sale Shares during the period from the date of subscription of the Sale Shares to the date of this announcement. It is estimated that the Group will record a gain on the Disposal of (i) approximately HK\$17.39 million if the Sale Shares are disposed at the maximum price of HK\$2.75 within the Price Range; and (ii) approximately HK\$740,000, if the Sale Shares are disposed at the minimum price of HK\$2.30 within the Price Range. Such gain on the Disposal is calculated with reference to the gross proceeds of the Disposal less the subscription costs of the Sale Shares. The exact amount of the gain on the Disposal to be recorded in the consolidated financial statements of the Group for the year ending 30 June 2020 is subject to audit.

In view of the aforesaid, the Directors are of the view that the terms of the Sales and Purchase Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the Prior Disposal and the Disposal are entered into with the same Purchaser and both involve the disposal of Redsun Properties Shares, which form a series of transactions conducted within a 12-month period, the Disposal is required to be aggregated with the Prior Disposal for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. Assuming the Sale Share are disposed at the maximum price within the Price Range, the highest applicable percentage ratio under the Listing Rules in respect of the Disposal (on its own and after aggregation with the Prior Disposal) is more than 25% but be less than 75%. Therefore, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM in respect of the Sales and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened for the purposes of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the Sales and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information relating to the Disposal of the Sale Shares; (ii) a notice convening the EGM; and (iii) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 5 September 2019.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Sales and Purchase Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the Shares and other securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

| | |
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| “Board” | the board of Directors; |
| “Business Day” | any day on which licensed banks in Hong Kong are generally open for business (other than a Saturday, Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 am and 5:00 pm); |
| “Company” | Applied Development Holdings Limited 實力建業集團有限公司*, a company incorporated under the laws of the Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 519); |
| “Completion” | the completion of the Disposal of the Sale Shares pursuant to the Sales and Purchase Agreement; |
| “Completion Date” | the date of the Completion of the Disposal of the Sale Shares; |
| “Consideration” | the consideration for the disposal of the Sale Shares payable by the Purchaser pursuant to the Sales and Purchase Agreement; |
| “Director(s)” | the director(s) of the Company; |
| “Disposal” | the proposed disposal of an aggregate of 37,000,000 Redsun Properties Shares by Dragon Bell; |

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|---------------------------|---|
| “Dragon Bell” | Dragon Bell Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company; |
| “EGM” | an extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the Sales and Purchase Agreement and the transactions contemplated thereunder; |
| “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 People’s Republic of China; |
| “Independent Third Party” | a third party independent of the Company and its connected persons and is not a connected person of the Company; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Parties” | the parties to the Sales and Purchase Agreement; |
| “Price Range” | not less than HK\$2.30 per Sale Share and not more than HK\$2.75 per Sale Share; |
| “Prior Disposal” | the disposal of 18,500,000 of Redsun Properties Shares by Dragon Bell to the Purchaser on 26 July 2019; |
| “Purchaser” | Fortune Elite Holdings Limited, a company incorporated in the British Virgin Islands with limited liability; |

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| “Redsun Properties” | Redsun Properties Group 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: 1996); |
| “Redsun Properties Shares” | the shares in the share capital of Redsun Properties with a nominal value of HK\$0.01 each; |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China; |
| “Sales and Purchase Agreement” | the sales and purchase agreement dated 15 August 2019 entered into between Dragon Bell and the Purchaser in relation to the Disposal; |
| “Sale Shares” | 37,000,000 of Redsun Properties Shares to be disposed by Dragon Bell pursuant to the Sales and Purchase Agreement; |
| “Shareholder” | the shareholders of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “%” | per cent. |

By order of the Board of
Applied Development Holdings Limited
Yuen Chi Ping
Executive Director & Chief Executive Officer

Hong Kong, 15 August 2019

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

* *For identification purpose only*

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