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If you have sold or transferred all your shares in Applied Development Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



**普頓資本有限公司
PROTON CAPITAL LIMITED**

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Proton Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 24 of this circular.

A notice dated 6 May 2013 convening an SGM to be held on 22 May 2013 at 9:30 a.m. at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 28 to 30 of this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business at Units 3402-3, 34/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

* For identification only

6 May 2013

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bondholders”	holders of the Convertible Bonds
“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 issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Conditions”	the terms and conditions of the Convertible Bond
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Convertible Bonds”	the convertible bonds with the aggregate principal amount of HK\$31,080,000 to be issued by the Company pursuant to the Subscription Agreement
“Conversion Price”	HK\$0.21, being the initial price per Share at which the Convertible Bonds may be converted into Shares
“Conversion Share(s)”	the Share(s) to be issued by the Company upon exercise by the Bondholder of the conversion rights attaching to the Convertible Bonds
“Directors”	the directors of the Company from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, being all the independent non-executive Directors
“Independent Financial Adviser” or “Proton Capital”	Proton Capital Limited, a licensed corporation to carry out Type 1 regulated activity (dealing in securities) and Type 6 regulated activity (advising on corporate finance), which has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Hung and his associates
“Last Trading Day”	16 April 2013, being the last trading day in the Shares immediately before the entering into of the Subscription Agreement
“Latest Practicable Date”	29 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2013 or such other date as may be agreed between the Company and Mr. Hung
“Maturity Date”	the day falling five years after the first issue of the Convertible Bonds
“Mr. Hung”	Mr. Raymond Hung Kin Sang, an executive Director and a substantial shareholder of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 16 April 2013 entered into between the Company and Mr. Hung in relation to the subscription by Mr. Hung of the Convertible Bonds in the principal amount of HK\$31,080,000
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

Executive Directors:

Mr. Hung Kin Sang, Raymond (*Managing Director*)

Mr. Hung Kai Mau, Marcus (*Chairman*)

Ms. Ng Kit Ling

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Mr. Lun Tsan Kau

Mr. Su Ru Jia

Mr. Lo Yun Tai

Mr. Chan Ming Fai, Terence

Principal place of business

in Hong Kong:

Units 3402-3, 34/F

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

6 May 2013

To the Shareholders

Dear Sir and Madam,

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS

INTRODUCTION

Reference is made to the announcements of the Company dated 16 April 2013 and 25 April 2013 in which the Company announced that on 16 April 2013 (after trading hours), it entered into the Subscription Agreement with Mr. Hung pursuant to which the Company has conditionally agreed to issue, and Mr. Hung has conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of HK\$31,080,000 in cash.

As at the Latest Practicable Date, Mr. Hung is interested in 419,140,584 Shares, representing approximately 50.03% of the issued share capital of the Company. Mr. Hung is a substantial shareholder (as defined under the Listing Rules) of the Company and its executive Director and therefore a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder therefore constitute connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

* For identification only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Subscription Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder; and (iv) the notice of the SGM.

SUBSCRIPTION AGREEMENT

Date: 16 April 2013 (after trading hours)

Issuer: The Company

Subscriber: Mr. Hung

Subject to the fulfillment of the conditions set out below, Mr. Hung has agreed to subscribe for the Convertible Bonds with the principal amount of HK\$31,080,000 in cash. The Conversion Shares under the Subscription Agreement will be issued under the specific mandate to be sought at the SGM.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon:

- (a) the passing of a resolution by the Shareholders who are permitted to vote under the Listing Rules to approve the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares at the SGM in accordance with the Listing Rules; and
- (b) the Listing Committee having granted the listing of, and permission to deal in, the Conversion Shares.

In the event that the conditions have not been fulfilled on or before the Long Stop Date or such later date as may be agreed between the Company and Mr. Hung, the Subscription Agreement will cease and terminate and the parties will be released from all obligations thereunder, save for liabilities for any antecedent breaches.

Completion of issue and subscription of the Convertible Bonds

Completion is to take place on the third Business Day after the conditions precedent stated in above section headed “Conditions Precedent” have been fulfilled or such later time and date as the Company and Mr. Hung may agree in writing. As at the Latest Practicable Date, the Company does not foresee any circumstance under which the date of Completion will be extended. In any event, the Company will seek the Independent Shareholders’ approval again if Completion does not take place within 3 months after approval is obtained from the Independent Shareholders at the SGM.

LETTER FROM THE BOARD

Conversion price

The initial Conversion Price of HK\$0.21 per Share represents:

- (i) a discount of approximately 17.65% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.06% to the average closing price of HK\$0.2532 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 33.33% to the closing price of HK\$0.315 per Share on the Latest Practicable Date; and
- (iv) a discount of approximately 57.71% to the net asset value per Share of approximately HK\$0.4966, which is calculated based on the unaudited net asset value of the Company of approximately HK\$416,034,000 as at 31 December 2012 as disclosed in the interim report of the Company for the six months ended 31 December 2012 divided by its total number of issued Shares of 837,773,826 Shares.

The Conversion Price will be subject to adjustment for subdivision or consolidation of Shares, issue of any Shares credited as fully paid by way of capitalization of profits or reserves (other than Shares issued in lieu of a cash dividend), capital distribution to holders of Shares, rights issues and issues of securities at a price less than 90% of the then market price per Share provided that the Conversion Price shall not be less than the par value of the Share. The initial Conversion Price was determined after arm's length negotiation between the parties taking into account, among other things, the recent trading prices of the Shares and the feasibility of immediate fund raising from independent third parties.

Upon full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 148,000,000 Shares, representing approximately 17.67% of the existing issued share capital of the Company and approximately 15.01% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds were determined after arm's length negotiations between the parties and are summarized below:

Principal amount:	HK\$31,080,000.
Interest:	The Convertible Bonds bear no interest.
Maturity Date:	Five years after the first issue of the Convertible Bonds.

LETTER FROM THE BOARD

Status:	The Convertible Bonds constitute direct, unconditional and unsecured obligations of the Company and will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. No application will be made for a listing of the Convertible Bonds in any jurisdiction.
Transferability:	The Convertible Bonds may be assigned or transferred to any third party upon not less than 10 Business Days' written notification to the Company by the Bondholder provided that any assignment or transfer shall be subject to all applicable laws and regulations (including but not limited to the Listing Rules) and approval of the Shareholders (if required).
Conversion Rights:	A Bondholder have the right to convert in whole or in part the principal amount of the Convertible Bonds at any time from its date of issue up to and including the date which is 7 days prior to the Maturity Date in amounts of not less than HK\$500,000 on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be converted. No Conversion Shares will be issued (i) unless the Bondholder confirms that he will comply with the Takeovers Code in respect of any acquisition of voting rights in the Company upon the issue to him of the Conversion Shares; or (ii) if, upon Conversion, the public float of at least 25% (or such other minimum percentage as prescribed under the Listing Rules) of the issued share capital of the Company as enlarged by the issue of the Conversion Shares cannot be maintained. The Conversion Shares are not subject to any lock-up period and any subsequent transfer will be subject to the bye-laws of the Company and applicable laws.
Ranking:	The Conversion Shares will rank pari passu in all respects with the Shares then in issue.

LETTER FROM THE BOARD

Redemption:

The Company has no obligation to redeem the Convertible Bonds prior to the Maturity Date unless an event of default as provided in the Conditions has occurred prior to the Maturity Date and, if capable of being remedied, was not remedied within 30 Business Days after a default redemption notice is given by the Bondholder. An event of default includes:

- (i) the listing of the Shares on the Stock Exchange ceases other than resulting from (a) an offer made to the Shareholders to acquire all or any proportion of the Shares becoming unconditional or (b) a suspension at the request of either the Company or the Stock Exchange pending the release of an announcement and/or for the purpose of complying with any relevant requirements of the Listing Rules or the Takeovers Code;
- (ii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the Conditions;
- (iii) the Company fails to pay the principal amount when due or the Company fails to issue the Conversion Shares in accordance with the Conditions;
- (iv) the occurrence of any event so as to render unlawful the performance by the Company of any of its material obligations contained in the Conditions;
- (v) any indebtedness of the Company which equals or exceeds HK\$10,000,000 becomes due and payable prior to its stated maturity by reason of any default, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period;
- (vi) an encumbrancer takes possession or a receiver is appointed of the whole or any part of the undertaking or assets of the Company;
- (vii) the Company becomes insolvent or is unable to pay its debts as they mature;

LETTER FROM THE BOARD

(viii) an order is made or an effective resolution is passed for winding-up of the Company; and

(ix) seizure is enforced upon all or a material part of the assets of the Company.

The Convertible Bonds will be redeemed by the Company at 100% of the principal amount of the Convertible Bonds on the Maturity Date. The Company or any of its subsidiaries may also elect to repurchase the Convertible Bonds at any price as may be agreed between the Company or such subsidiary and the Bondholder.

Voting:

The Bondholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of him being the Bondholder.

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS

The Group is principally engaged in resort and property development, property and investment holding.

The Directors consider that the issue of the Convertible Bonds represents an opportunity for the Company to raise additional immediate funds under the current unfavourable global financial conditions at relatively low cost with strong support from its largest Shareholder. The Company has also considered alternative fund raising methods including both debt and equity financing. However, the costs incurred (mainly interest in the case of debt financing and underwriting fees in the case of equity financing) will be substantially higher than those for the issue of the Convertible Bonds. After taking into account that the Convertible Bonds bear no interest, the Directors consider that issue of the Convertible Bonds is an appropriate means of immediate fund raising for the Company.

Having considered (i) other alternative fund raising methods and the costs that will be incurred (ii) that the Conversion Price is within the historical price range of the Shares in the past 12 months and the discount is within market range (iii) that the dilution effect on the interest of the Shareholders in the Company is acceptable and (iv) the Convertible Bonds do not bear interest and provide immediate funds to the Company, the Directors are of opinion that the terms of the Convertible Bonds, which were arrived at after arm's length negotiations between the Company and Mr. Hung, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds (after deducting estimated expenses) from the issue of the Convertible Bonds is expected to be approximately HK\$30.6 million and the net price per Conversion Share is approximately HK\$0.207. It is intended that the net proceeds will be applied as general working capital of the Company including (i) approximately HK\$20 million for administrative expenses (ii) approximately HK\$6 million for interest payments and (iii) approximately HK\$4 million for feasibility studies and property tax in respect of the Panama project.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months immediately preceding the Latest Practicable Date.

EFFECT ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 837,773,826 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other changes in the share capital of the Company) are as follows:

Shareholders	As at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Hung (<i>Note 2</i>)	419,140,584	50.030	567,140,584	57.533
	(<i>Note 1</i>)			
Hung Kai Mau, Marcus	2,960,000	0.353	2,960,000	0.300
Ng Kit Ling	10,000	0.001	10,000	0.001
Public	<u>415,663,242</u>	<u>49.616</u>	<u>415,663,242</u>	<u>42.166</u>
Total	<u>837,773,826</u>	<u>100.000</u>	<u>985,773,826</u>	<u>100.000</u>

Notes:

1. Mr. Hung is interested in 419,140,584 Shares in the manner set out as follows:
 - (a) 344,117,701 existing Shares are beneficially owned and held in Mr. Hung's own name.
 - (b) 44,362,883 Shares are held by Malcolm Trading Inc., the entire issued shares of which are beneficially owned by Mr. Hung.
 - (c) 30,660,000 Shares are held by Jaytime Overseas Limited, the entire issued shares of which are beneficially owned by Mr. Hung.
2. Mr. Hung has confirmed to the Company that 9,310,056 Shares held in the name of Ms. Wong Kar Gee, Mimi were ordered to be transferred to him pursuant to a court order in August 2012. After the aggregation of such 9,310,056 Shares, Mr. Hung will be interested in (i) 428,450,640 Shares as at the Latest Practicable Date (representing approximately 51.142% of the issued share capital of the Company) and (ii) 576,450,640 Shares immediately after full conversion of the Conversion Bonds (representing approximately 58.477% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares), and the shareholding of the "public" will be reduced accordingly.

As set out in the above table, the shareholding interests of the existing public Shareholders will be reduced from approximately 49.616% to approximately 42.166% immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other changes in the share capital of the Company), representing a dilution of approximately 15.015%.

LETTER FROM THE BOARD

APPLICATION FOR LISTING

An application has been made by the Company to the Listing Committee for the listing of and permission to deal in the Conversion Shares.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Mr. Hung is interested in 419,140,584 Shares, representing approximately 50.03% of the issued share capital of the Company. Mr. Hung is a substantial shareholder (as defined under the Listing Rules) of the Company and its executive Director and therefore a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder therefore constitute connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

Accordingly, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM by way of a poll. Mr. Hung and his associates who together hold 422,100,584 Shares as at the Latest Practicable Date, representing approximately 50.383% of the issue share capital of the Company, are required to abstain from voting on the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder, including the specific mandate to issue the Conversion Shares at the SGM.

Mr. Hung was not present at the meeting of the Board to approve, amongst others, the Subscription Agreement. Mr. Hung Kai Mau, Marcus, an executive Director and Chairman of the Company and the son of Mr. Hung, has voluntarily abstained from voting on the relevant board resolutions passed at the meeting of the Board to approve, amongst others, the Subscription Agreement.

SGM

An SGM will be held on 22 May 2013 at 9:30 a.m at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, during which an ordinary resolution will be proposed to the Independent Shareholders to consider, and if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares. Any vote of the Independent Shareholders at the SGM will be taken by poll.

A notice convening the SGM is set out on pages 28 to 30 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution in respect of the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its view on the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares. Your attention is also drawn to the letter of advice from the Independent Financial Adviser on pages 15 to 24 of this circular which contains its opinion in respect of the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares.

By order of the Board
Applied Development Holdings Limited
Hung Kai Mau, Marcus
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

Independent Board Committee:

Mr. Lun Tsan Kau

Mr. Su Ru Jia

Mr. Lo Yun Tai

Mr. Chan Ming Fai, Terence

6 May 2013

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS

We refer to the circular (the “Circular”) dated 6 May 2013 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds to Mr. Hung and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds), to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the transactions contemplated thereunder, and to recommend how the Independent Shareholders should vote at the SGM. Proton Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The terms of the Subscription Agreement and reasons for entering into the Subscription Agreement are summarised in the Letter from the Board set out on pages 4 to 12 of the Circular.

* For identification only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also draw your attention to the letter from the Independent Financial Adviser set out on pages 15 to 24 of the Circular containing the advice of the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder.

We, after taking into account, among other things, the factors and reasons considered by, and the views of the Independent Financial Adviser, consider that the terms of the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares.

Yours faithfully,
Mr. Lun Tsan Kau
Mr. Su Ru Jia
Mr. Lo Yun Tai
Mr. Chan Ming Fai, Terence
Independent Board Committee

LETTER FROM PROTON CAPITAL

Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue of the Convertible Bonds for the purpose of inclusion in this circular.



普頓資本有限公司
PROTON CAPITAL LIMITED

Suite 06-07, 28/F., Shui On Centre
6-8 Harbour Road, Wanchai, Hong Kong

6 May 2013

*To: The independent board committee and the independent shareholders
of Applied Development Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the issue of the Convertible Bonds, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 6 May 2013 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 April 2013 (after trading hours), the Company entered into the Subscription Agreement with Mr. Hung, pursuant to which, subject to fulfilment of conditions precedent, Mr. Hung has agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$31,080,000 in cash.

As at the Latest Practicable Date, Mr. Hung is interested in 419,140,584 Shares, representing approximately 50.03% of the issued share capital of the Company. Mr. Hung is a substantial shareholder (as defined under the Listing Rules) of the Company and its executive Director and therefore a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder therefore constitute connected transaction of the Company under the Listing Rules and are subject to reporting, announcement and independent shareholders’ approval requirements. Accordingly, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM by way of a poll. Mr. Hung and his associates are required to abstain from voting on the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder including the specific mandate (the “**Specific Mandate**”) to issue the Conversion Shares at the SGM.

An Independent Board Committee comprising Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the issue of the Convertible Bonds

LETTER FROM PROTON CAPITAL

is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Subscription Agreement and the Specific Mandate at the SGM. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Hung or their respective subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the issue of the Convertible Bonds. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM PROTON CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription Agreement and the Specific Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the issue of the Convertible Bonds

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in resort and property development, property and investment holding.

Set out below are the financial information on the Group for the six months ended 31 December 2012 and the two years ended 30 June 2012 as extracted from the Company's interim report for the six months ended 31 December 2012 (the "2012 Interim Report") and its annual report for the year ended 30 June 2012 (the "2012 Annual Report"):

	For the six months ended 31 December 2012 (<i>unaudited</i>) HK\$'000	For the year ended 30 June 2012 (<i>audited</i>) HK\$'000	For the year ended 30 June 2011 (<i>audited</i>) HK\$'000	% change from 2011 to 2012 %
Turnover	–	3,296	4,649	(29.10)
Other revenue	9	382	1,036	(63.13)
Other income	1,344	883	15,365	(94.25)
Administrative expenses	(7,835)	(23,909)	(27,776)	(13.92)
Profit/(loss) for the period/year, attributable to equity holders of the Company	1,501	(44,883)	(133,485)	(66.38)
	As at 31 December 2012 (<i>unaudited</i>) HK\$'000	As at 30 June 2012 (<i>audited</i>) HK\$'000	As at 30 June 2011 (<i>audited</i>) HK\$'000	% change from 2011 to 2012 %
Bank balances and cash	3,532	7,824	28,516	(72.56)
Net assets	416,034	414,533	459,357	(9.76)

As depicted by the above table, the Group recorded turnover of approximately HK\$3.30 million for the year ended 30 June 2012, representing a decrease of approximately 29.10% as compared to the prior financial year. However, the Group recorded the decrease in loss from approximately HK\$133.49 million for the year ended 30 June 2011 to approximately HK\$44.88 million for the year ended 30 June 2012. With reference to the 2012 Annual Report, such loss was mainly due to losses resulting from

LETTER FROM PROTON CAPITAL

(i) a revaluation deficit on the Group's investment properties in Panama; (ii) an increase in finance expense; and (iii) the disposal gain on other assets in the year ended 30 June 2011. The Group recorded a profit for the six months ended 31 December 2012 despite of nil turnover made. According to the 2012 Interim Report, the slight profit recorded by the Group for the six months ended 31 December 2012 was mainly due to (i) an increase in fair value of investment properties classified as held for sale; (ii) a decrease in administrative expenses for the six months ended 31 December 2012; and (iii) net gain on disposal of financial assets at fair value and other income for the six months ended 31 December 2012. As at 31 December 2012, the Group had bank balances and cash of approximately HK\$3.53 million.

As advised by the Directors, following the recent improvement of the economies of the U.S., the Company will proceed to start the Group's overseas resort development projects subject to the conditions of the property market in the relevant region. In addition, the Group still continues to seek other appropriate property investment opportunities or investments which may bring satisfactory return to the Group.

Financing alternatives available to the Group

As referred to in the Board Letter, the Company has not conducted any fund raising activity in the past twelve months immediately preceding the Latest Practicable Date.

Upon our enquiry with the Directors in this respect, we understand that apart from the issue of the Convertible Bonds, the Directors have also considered other fund raising alternatives for the Group, including both debt and equity financing. In relation to debt financing, the Directors advised us that in light of the Group's current financial position, it was considered not plausible for the Group to apply/arrange for bank loans, with relatively low annual interest rate as compared to the Convertible Bonds (which bear no interest). In addition, even if the additional bank loans were made available, it was considered that the financial position of the Group will be adversely affected through incurring additional finance charges.

As for equity financing, the Directors advised us that in view of the recent financial performance of the Group, it is uncertain as to whether the Company would be able to procure underwriter(s) in open offer or rights issue, not to mention if the procurement could be achieved at a low cost. In addition, taking into account that the issue of the Convertible Bonds is relatively simple and less time consuming, the Directors consider that the issue of the Convertible Bonds are the most appropriate fund raising method currently available to the Group.

Reasons for the issue of the Convertible Bonds and use of proceeds

As extracted from the Board Letter, the Directors consider that the issue of the Convertible Bonds represents an opportunity for the Company to raise additional immediate fund under the current global financial conditions at relatively low cost with strong support from its largest Shareholder.

The net proceeds (after deducting estimated expenses) from the issue of the Convertible Bonds is expected to be approximately HK\$30.60 million. It is intended that the net proceeds will be applied as general working capital of the Company including (i)

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approximately HK\$20 million for administrative expenses; (ii) approximately HK\$6 million for interest payments; and (iii) approximately HK\$4 million for feasibility studies and property tax in respect of the Panama project.

As aforementioned, the Group only had bank balances and cash of approximately HK\$3.53 million as at 31 December 2012. The cash used in the Group's operating activities was approximately HK\$39.47 million for the year ended 30 June 2012. In addition, given that it's the Group's intention to proceed to start the Group's overseas resort development projects subject to the conditions of the property market in the relevant region and it's the Group's strategy to continue to seek other appropriate property investment opportunities or investments which may bring satisfactory return to the Group, the Group may require addition working capital to execute its development plan.

Having considered (i) the issue of the Convertible Bonds being the most appropriate fund raising method currently available to the Group due to the reasons as set forth under the sub-section headed "Financing alternatives available to the Group" above; and (ii) that the proposed use of the net proceeds from the issue of the Convertible Bonds would support the Group's working capital requirements (which may increase due to the development of the Group), we consider that the issue of the Convertible Bonds is in the interests of the Company and the Shareholders as a whole.

(2) The Subscription Agreement

On 16 April 2013 (after trading hours), the Company entered into the Subscription Agreement with Mr. Hung, pursuant to which, subject to fulfilment of the conditions precedent, Mr. Hung has agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$31,080,000 in cash.

The Conversion Price

As stated in the Board Letter, the initial Conversion Price was determined after arm's length negotiation between the parties taking into account, among other things, the recent trading prices of the Shares and the feasibility of immediate fund raising from independent third parties.

The initial Conversion Price of HK\$0.21 per Share represents:

- (a) a discount of approximately 17.65% to the closing price of HK\$0.255 per Share on the Last Trading Day;
- (b) a discount of approximately 17.06% to the average closing price of HK\$0.2532 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 33.33% to the closing price of HK\$0.315 per Share on the Latest Practicable Date; and
- (d) a discount of approximately 57.71% to the net asset value per Share of approximately HK\$0.4966, which is calculated based on the unaudited net asset value of the Company of approximately HK\$416,034,000 as at 31 December 2012 as disclosed in the 2012 Interim Report divided by its total number of issued Shares of 837,773,826 Shares.

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To assess the fairness and reasonableness of the Conversion Price, we set out the following informative analyses which include reviews on both the historical price and trading liquidity of the Shares:

(i) Review on historical price of the Shares

The following table sets out the highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 2 April 2012 up to and including the Last Trading Day (the “**Review Period**”):

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
2012				
April	0.140	0.125	0.135	18
May (<i>Note</i>)	0.250	0.135	0.182	21
June	0.245	0.210	0.221	21
July	0.225	0.210	0.215	21
August	0.228	0.200	0.220	23
September	0.225	0.195	0.212	20
October	0.235	0.203	0.218	20
November	0.215	0.200	0.205	22
December	0.200	0.190	0.197	19
2013				
January	0.205	0.188	0.198	22
February	0.200	0.190	0.194	17
March	0.300	0.194	0.236	20
April (up to and including the date of the Last Trading Day)	0.270	0.240	0.252	10

Source: the Stock Exchange’s web-site (www.hkex.com.hk)

Note: Trading in the Shares was suspended during the afternoon session of 4 May 2012.

During the Review Period, the closing prices of the Shares ranged from the lowest of HK\$0.125 on 23 April 2012 to the highest of HK\$0.30 on 22 March 2013 and 25 March 2013. The Conversion Price is thus within the said historical price range of the Shares. Furthermore, the average closing price (the “**Average Closing Price**”) of the Shares during the Review Period is approximately HK\$0.206, the Conversion Price is thus slightly higher than the Average Closing Price.

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(ii) *Review on trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day during the Review Period are tabulated as below:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day (Note 2) <i>%</i>	% of the Average Volume to total number of issued Shares as at the Last Trading Day (Note 3) <i>%</i>
2012				
April	18	13,411	0.00	0.00
May (Note 1)	21	686,662	0.17	0.08
June	21	292,190	0.07	0.03
July	21	43,501	0.01	0.01
August	23	30,870	0.01	0.00
September	20	126,894	0.03	0.02
October	20	37,950	0.01	0.00
November	22	44,611	0.01	0.01
December	19	71,053	0.02	0.01
2013				
January	22	129,350	0.03	0.02
February	17	68,365	0.02	0.01
March	20	1,054,750	0.25	0.13
April (up to and including the date of the Last Trading Day)	10	340,232	0.08	0.04

Source: the Stock Exchange's web-site (www.hkex.com.hk)

Notes:

- Trading in the Shares was suspended during the afternoon session of 4 May 2012.
- Based on 415,663,242 Shares held by the public as at the Last Trading Day.
- Based on 837,773,826 Shares in issue as at the Last Trading Day.

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From the above table, we noted that trading in the Shares had been inactive during the Review Period and the Shares' monthly average daily trading volume had been below 0.5% of the total number of issued Shares held by the public as at the Last Trading Day for the Review Period.

Having taken into account (i) that the Conversion Price is within the historical price range of the Shares during the Review Period and slightly higher than the Average Closing Price; (ii) that the Shares had been rather illiquid during the Review Period; and (iii) the fund raising difficulties encountered by the Group (including but not limited to tightening credit policy, higher interest rate for bank borrowings and uncertainty in successful procurement of underwriter(s) for open offer or rights issue), we consider that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

We noted that the initial Conversion Price represents a discount of approximately 57.71% to the net asset value per Share. Nevertheless, since the net asset value per Share does not reflect the market value of the Share (which is demonstrated under the section headed "Review on historical price of the Shares" of this letter), the analysis on the comparison between the Conversion Price and the net asset value per Share would not be meaningful for assessing the fairness and reasonableness of the Conversion Price.

Adjustment to the Conversion Price

Pursuant to the Subscription Agreement, the Conversion Price will be subject to adjustment (the "**Adjustments**") for subdivision or consolidation of Shares, issue of any Shares credited as fully paid by way of capitalization of profits or reserves (other than Shares issued in lieu of a cash dividend), capital distribution to holders of Shares, rights issues and issues of securities at a price less than 90% of the then market price per Share provided that the Conversion Price shall not be less than the par value of the Share. With respect to the Adjustments, we have studied the terms of the convertible bonds/notes (based on the respective announcements published on the Stock Exchange's web-site at <http://www.hkex.com.hk>) issued by other listed companies in Hong Kong and we noted that similar conversion price adjustment mechanism are often included in the terms of those convertible bonds/notes. In light of that the Adjustments are rather usual under normal market practice, we consider that they are fair and reasonable so far as the Independent Shareholders are concerned.

Interest rate of the Convertible Bonds

The nil interest of the Convertible Bonds represents a relatively low financing cost as compared to bank borrowings which is likely to incur interest expenses and rights issue/open offer which is likely to incur underwriting commission. Accordingly, we consider that the interest rate of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered and analysed the aforesaid terms of the Subscription Agreement we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM PROTON CAPITAL

(3) Dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other changes in the share capital of the Company):

Shareholders	As at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Hung (<i>Note 2</i>)	419,140,584	50.030	567,140,584	57.533
	(<i>Note 1</i>)			
Hung Kai Mau, Marcus	2,960,000	0.353	2,960,000	0.300
Ng Kit Ling	10,000	0.001	10,000	0.001
The existing public shareholders	415,663,242	49.616	415,663,242	42.166
Total	837,773,826	100	985,773,826	100

Notes

- Mr. Hung is interested in 419,140,584 Shares in the manner set out as follows:
 - 344,117,701 existing Shares are beneficially owned and held in Mr. Hung's own name.
 - 44,362,883 Shares are held by Malcolm Trading Inc., the entire issued shares of which are beneficially owned by Mr. Hung.
 - 30,660,000 Shares are held by Jaytime Overseas Limited, the entire issued shares of which are beneficially owned by Mr. Hung.
- Mr. Hung has confirmed to the Company that 9,310,056 Shares held in the name of Ms. Wong Kar Gee, Mimi were ordered to be transferred to him pursuant to a court order in August 2012. After the aggregation of such 9,310,056 Shares, Mr. Hung will be interested in (i) 428,450,640 Shares as at the Latest Practicable Date (representing approximately 51.142% of the issued share capital of the Company) and (ii) 576,450,640 Shares immediately after full conversion of the Conversion Bonds (representing approximately 58.477% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares), and the shareholding of the "public" will be reduced accordingly.

As depicted by the table above, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 49.616% to 42.166%, representing a dilution of approximately 15.015% immediately after full conversion of the Convertible Bonds. Taking into account (i) the reasons for and benefits of the issue of the Convertible Bonds; and (ii) the terms of the Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

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(4) Financial effects of the issue of the Convertible Bonds

Effects on net asset value

As extracted from the 2012 Interim Report, the unaudited consolidated net asset value of the Group was approximately HK\$416.03 million as at 31 December 2012. As advised by the Directors, the Company is unable to assess its impacts of the issue of the Convertible Bonds on the Group until reliable estimations of the value of the Convertible Bonds can be made.

Effect on gearing

The gearing level of the Group (calculated as total borrowings over the net asset value) was approximately 28% as at 31 December 2012. Since the relevant accounting entries for the issue of the Convertible Bonds have not yet been determined and as a result, its impacts on the gearing level of the Group could not be estimated at this early stage.

Effect on liquidity

As advised by the Directors, immediately upon completion of the issue of the Convertible Bonds, the bank balances and cash of the Group would be increased by the amount of the net proceeds from the issue of the Convertible Bonds.

It should be noted that the aforementioned information (i) is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the issue of the Convertible Bonds; (ii) would not affect our opinion on the issue of the Convertible; and (iii) serves to provide additional information to the Shareholders.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the issue of the Convertible Bonds is not in the ordinary and usual course of business of the Company but is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Subscription Agreement and the Specific Mandate and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Josephine Lau
Director – Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as disclosed in the table below, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange.

Name of Director	Number of Shares			Approximate % of shareholding
	Beneficial owner	Held by controlled corporation	Total	
Mr. Hung (<i>Note 2</i>)	344,117,701	75,022,883	419,140,584	50.030%
		(<i>Note 1</i>)		
Hung Kai Mau, Marcus	2,960,000	–	2,960,000	0.353%
Ng Kit Ling	10,000	–	10,000	0.001%

Notes:

- These shares were held by the following companies:
 - 44,362,883 Shares are held by Malcolm Trading Inc., the entire issued shares of which are beneficially owned by Mr. Hung. Mr. Hung is a director of Malcolm Trading Inc.
 - 30,660,000 Shares are held by Jaytime Overseas Limited, the entire issued shares of which are beneficially owned by Mr. Hung.
- Mr. Hung has confirmed to the Company that 9,310,056 Shares held in the name of Ms. Wong Kar Gee, Mimi were ordered to be transferred to him pursuant to a court order in August 2012. After the aggregation of such 9,310,056 Shares, Mr. Hung will be interested in 428,450,640 Shares as at the Latest Practicable Date (representing approximately 51.142% of the issued share capital of the Company).

3. DIRECTORS' INTERESTS IN CONTRACTS

Save for the Subscription Agreement in which Mr. Hung has a material interest, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract, nor is there any proposed service contract with any member of the Group which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or Proton Capital had any direct or indirect interest in any assets which have been, since 30 June 2012, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2012, the date to which the latest published audited accounts of the Group were made up.

8. EXPERT AND CONSENT

The following are the qualifications of the professional adviser who has given its opinion or advice contained in this circular:

Name	Qualifications
Proton Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Proton Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Proton Capital was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

9. MISCELLANEOUS

This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement will be available for inspection at Units 3402-3, 34/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 24 May 2013 (both dates inclusive).

NOTICE OF THE SPECIAL GENERAL MEETING



APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Applied Development Holdings Limited (the “**Company**”) will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 22 May 2013 at 9:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the subscription agreement dated 16 April 2013 (the “**Subscription Agreement**”) entered into between the Company as the issuer and Mr. Raymond Hung Kin Sang (“**Mr. Hung**”) as the subscriber in relation to the issue of convertible bonds in the principal amount of HK\$31,080,000 (the “**Convertible Bonds**”) by the Company to Mr. Hung (details relating to the Subscription Agreement are set out in the circular of the Company dated 6 May 2013 and a copy of the Subscription Agreement marked “A” and signed by the chairman of the Meeting for identification purpose having been produced to the Meeting), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the creation and issue of the Convertible Bonds pursuant to the Subscription Agreement be and are hereby approved;
- (c) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to allot and issue ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Conversion Shares**”) at an initial conversion price of HK\$0.21 per Conversion Share (subject to adjustments) upon an exercise of the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds; and

* For identification only

NOTICE OF THE SPECIAL GENERAL MEETING

- (d) the Directors be and are hereby authorized to exercise all the powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Subscription Agreement including without limitation to:
- (i) the execution, amendment, delivery, submission and/or implementation of any further documents or agreements in relation to the Subscription Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares; and
- (ii) the taking of all necessary actions to implement the transactions contemplated under the Subscription Agreement.”

By order of the Board
Applied Development Holdings Limited
Hung Kai Mau, Marcus
Chairman

Hong Kong, 6 May 2013

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business
in Hong Kong:
Units 3402-3, 34/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf.
2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the principal place of business of the Company at Units 3402-3, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting thereof. Delivery of the form of proxy will not preclude any member of the Company from attending and voting in person on any or all resolutions on which he is entitled to vote at the meeting and in such event, any vote cast by his proxy on the same resolution will be null and void.
3. Where there are joint holders of any share, any one of such joint holders may vote at any meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other jointholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
5. A form of proxy for use at the meeting is enclosed.
6. The register of members of the Company will be closed from Tuesday, 21 May 2013 to Wednesday, 22 May 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 May 2013.
7. No instrument appointing a proxy shall be valid after expiration of twelve months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date.
8. All resolution will be voted on by way of poll.