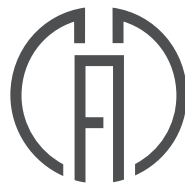

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF APPLIED ENTERPRISES LIMITED AND BEACHSIDE INVESTMENTS LIMITED AND ASSIGNMENT OF LOANS

AND

(2) NOTICE OF SPECIAL GENERAL MEETING

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



Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 17 of this circular.

A notice convening the SGM to be held at Suite 2418, 24/F., Jardine House, 1 Connaught Place, Central, Hong Kong at 2:00 p.m. on 21 December 2015 (Monday), is set out on pages 54 to 55 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon 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 but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	18
LETTER FROM DONVEX CAPITAL	20
APPENDIX I FINANCIAL INFORMATION OF THE GROUP	34
APPENDIX II VALUATION REPORT	37
APPENDIX III GENERAL INFORMATION	47
NOTICE OF SGM	54

DEFINITIONS

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

“AIHL”	Applied International Holdings Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Company
“AppliedLand”	AppliedLand Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“BVI”	British Virgin Islands
“BVI Properties”	the properties owned by the Target A Group in the BVI, details of which are set out in Appendix II to this circular
“BVI Project”	a resort project located at Beef Island, Tortola in the BVI, which comprises approximately 267.90 hectares (approximately 662 acres) of land and is envisioned to be a master-planned resort community which will include: a five-star luxury resort hotel with approximately 200 hotel and condo-hotel units, destination spa, signature restaurants and conference rooms; a first-class marina with approximately 135 ships, including facilities for 15 mega-yachts over 80 feet; a golf course and up to 600 high-end residential units including townhomes, beachfront residences, ocean-view villas, and secluded mountain estate homes; as well as a unique artisan and retail village at Trellis Bay
“Company”	Applied Development Holdings Limited (實力建業集團有限公司*), a company incorporated in Bermuda, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 519)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the second Business Day after the fulfillment of the last Condition or such other date as the Company and the Purchaser may agree in writing on which Completion takes place
“Condition(s)”	the condition(s) of the Disposal Agreement precedent to Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Deposit”	the deposit and part payment of the consideration for the Sale Shares and the Sale Loans in the sum of HK\$5,000,000
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares and the Sale Loans to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 9 November 2015 entered into between the Company and the Purchaser in relation to the Disposal
“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
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors namely, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, established for the purpose of giving recommendation to the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (i) Mr. Hung, the Purchaser and their respective associates; and (ii) any Shareholder with a material interest in the Disposal or the transactions contemplated thereunder
“InterIsle”	InterIsle Holdings Limited, holder of 50% interest in Quorum
“Latest Practicable Date”	1 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 January 2016, or such other date as may be agreed by the Company and the Purchaser in writing

DEFINITIONS

“Mr. Hung”	Mr. Hung Kin Sang, Raymond, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015
“Panama Project”	a resort project in the Republic of Panama comprising two pieces of land: (i) a piece of land of approximately 494 hectares (approximately 1,220.70 acres) named Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui in Panama; and (ii) a hot spring with a land size of approximately 9.94 hectares (approximately 24.56 acres) in the Borough of San Felix, Province of Chiriqui in Panama. The Panama Project is planned to feature a luxury hotel, a marina facility and a marina village, an 18-hole golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots
“Panama Properties”	the properties owned by the Target B Group in the Republic of Panama, details of which are set out in Appendix II to this circular
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Previous Transactions”	including (i) the transaction under a sale and purchase agreement dated 8 December 2014 entered into between Data Pen Limited (“Data Pen”), a wholly owned subsidiary of the Company, and an associate to Mr. Hung in relation to the disposal of a motor vehicle by Data Pen for a cash consideration of HK\$759,000, which constituted a de minimis transaction under Rule 14A.76 of the Listing Rules and was exempted from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules; and (ii) the transaction under a sale and purchase agreement dated 3 February 2015 entered into between Target A and Mr. Hung in relation to the disposal of the entire issued share capital of and shareholder’s loan to Data Pen by Target A, the major assets of which at the time of disposal comprised two motor vehicles, for a cash consideration of HK\$2,191,000, which constituted a de minimis transaction under Rule 14A.76 of the Listing Rules and was exempted from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the annual report of the Company for the year ended 30 June 2015
“Purchaser”	Glory Paradise Group Limited, a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Hung

DEFINITIONS

“Quorum”	Quorum Island (BVI) Limited, a joint venture company owned as to 50% by Target A and 50% by InterIsle
“Remaining Group”	the Group immediately after Completion
“Sale Loans”	the Target A Sale Loan and the Target B Sale Loan
“Sale Shares”	the Target A Sale Shares and the Target B Sale Share
“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 by the Company to consider and approve the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target A”	Applied Enterprises Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company as at the date of the Disposal Agreement and the Latest Practicable Date
“Target A Group”	Target A and its joint venture
“Target A Sale Loan”	all obligations, liabilities and debts owing or incurred by Target A to AppliedLand as at the Completion Date
“Target A Sale Loan Assignment”	a deed of assignment of loan to be executed by AppliedLand, the Purchaser and Target A upon Completion pursuant to which AppliedLand will transfer and assign the Target A Sale Loan to the Purchaser
“Target A Sale Shares”	1,000 ordinary shares of HK\$1.00 each of Target A, representing the entire issued share capital of Target A
“Target B”	Beachside Investments Limited, a company incorporated in the BVI and an indirect wholly owned subsidiary of the Company as at the date of the Disposal Agreement and the Latest Practicable Date
“Target B Group”	Target B and its subsidiaries

DEFINITIONS

“Target B Sale Loan”	all obligations, liabilities and debts owing or incurred by Target B to AIHL as at the Completion Date
“Target B Sale Loan Assignment”	a deed of assignment of loan to be executed by AIHL, the Purchaser and Target B upon Completion pursuant to which AIHL will transfer and assign the Target B Sale Loan to the Purchaser
“Target B Sale Share”	1 ordinary share of US\$1.00 each of Target B, representing the entire issued share capital of Target B
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“Valuer” or “JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional property valuer
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

Executive Directors:

Ms. Wang Jingyu

(Chairlady and Managing Director)

Ms. Ng Kit Ling

Mr. Tsao Hoi Ho

Mr. Meng Song

Independent non-executive Directors:

Mr. Su Ru Jia

Mr. Lo Yun Tai

Mr. Chan Ming Fai, Terence

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

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

4 December 2015

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
APPLIED ENTERPRISES LIMITED AND BEACHSIDE INVESTMENTS LIMITED
AND ASSIGNMENT OF LOANS**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 November 2015 in relation to the Disposal. It was announced that the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to procure the sale to the Purchaser, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Sale Loans at a total consideration of HK\$255,000,000.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Disposal Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Disposal; (iv) the valuation report of the BVI Properties and the Panama Properties; and (v) the notice of the SGM.

THE DISPOSAL AGREEMENT

The principle terms of the Disposal Agreement are as follows:

Date

9 November 2015 (after trading hours)

Parties

- (1) the Company as the vendor; and
- (2) the Purchaser as the purchaser.

The Purchaser is a company engaged in investment holding and is wholly and beneficially owned by Mr. Hung, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015, and is therefore a connected person of the Company under the Listing Rules. As at the Latest Practicable Date, Mr. Hung and his associates are not interested in any Shares.

Asset to be disposed of

The Company has agreed to procure the sale to the Purchaser, and the Purchaser has conditionally agreed to purchase,

- (1) the Sale Shares free from all encumbrances and together with all rights attaching thereto, including all rights to any dividend or other distribution declared, made or paid on the Sale Shares for which a record date occurs on or after the date of the Disposal Agreement; and
- (2) the Sale Loans free from all encumbrances.

As at the Latest Practicable Date, the Target A Sale Loan and the Target B Sale Loan was approximately HK\$149,539,000 and HK\$125,902,000, respectively.

LETTER FROM THE BOARD

Consideration

The total consideration payable by the Purchaser for the Sale Shares and the Sale Loans is HK\$255,000,000, of which:

- (i) HK\$3,460,579 is the consideration for the Target A Shares;
- (ii) HK\$1 is the consideration for the Target B Share;
- (iii) HK\$149,539,421 is the consideration for the Target A Sale Loan; and
- (iv) HK\$101,999,999 is the consideration for the Target B Sale Loan.

The total consideration for the Sale Shares and the Sale Loans shall be payable by the Purchaser to the Company in the following manner:

- (i) a deposit in the sum of HK\$5,000,000 payable upon signing of the Disposal Agreement; and
- (ii) the balance of the consideration in the sum of HK\$250,000,000 shall be payable upon Completion.

The consideration for the Disposal was determined after arm's length negotiations between the Company and the Purchaser taking into account various factors including (i) the financial position, business outlook and future prospect of the BVI Project and the Panama Project; (ii) the valuation of the BVI Properties; (iii) the valuation of the Panama Properties; (iv) the adjusted unaudited consolidated net asset value of the Target A Group of approximately HK\$150,882,000 as at 31 October 2015 (the unaudited consolidated net asset value of the Target A Group of approximately HK\$1,343,000 after adjusted for the Target A Sale Loan of approximately HK\$149,539,000) (the "Target A Group Carrying Value"); and (v) the adjusted unaudited consolidated net asset value of the Target B Group of approximately HK\$99,401,000 as at 31 October 2015 (the unaudited consolidated net liability value of the Target B Group of approximately HK\$26,501,000 after adjusted for the Target B Sale Loan of approximately HK\$125,902,000) (the "Target B Group Carrying Value").

Conditions precedent

Completion is conditional upon the fulfillment of the following Conditions:

- (i) the passing of the resolution(s) by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder; and
- (ii) in relation to the transactions contemplated under the Disposal Agreement, all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied.

None of the Conditions are capable of being waived by any party.

LETTER FROM THE BOARD

If before Completion,

- (i) in the reasonable opinion of the Purchaser, a material adverse change on the Target A Group and the Target B Group has occurred or is likely to occur; or
- (ii) in the reasonable opinion of the Purchaser, any of the warranties given by the Company in the Disposal Agreement is not true and accurate or is misleading or any matter or circumstance has arisen, or come to the notice of the Purchaser, that in the reasonable opinion of the Purchaser would be likely to result in one or more of the said warranties not being true and accurate or is misleading were such warranties to be repeated at Completion by reference to the facts or circumstances then existing,

then, without prejudice to any other rights or remedies available to the Purchaser, the Purchaser may elect not to complete the Disposal by giving notice to the Company to that effect and the Deposit shall be refunded without interest to the Purchaser by the Company within seven Business Days from the giving of such notice.

In the event that the Conditions are not fulfilled on or before the Long Stop Date, and the parties to the Disposal Agreement do not proceed to Completion, the Deposit shall be refunded without interest by the Company to the Purchaser within seven Business Days from the Long Stop Date whereupon the Disposal Agreement shall terminate with immediate effect, and neither party shall have any rights or obligations against the other under the Disposal Agreement except for any antecedent breach.

In the event that the Conditions are fulfilled on or before the Long Stop Date, and the Purchaser does not proceed to Completion, the Deposit shall be forfeited by the Company. Other than the aforesaid situation, under no other circumstances shall the Deposit be forfeited by the Company.

As at the Latest Practicable Date, none of the Conditions has been fulfilled.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to hold any interest in the Target A Group and the Target B Group and each of Target A and Target B will cease to be a subsidiary of the Company. Pursuant to the Disposal Agreement, upon Completion, the Vendor will procure each of AppliedLand and AIHL to execute the Target A Sale Loan Assignment and the Target B Sale Loan Assignment, respectively, pursuant to which (i) AppliedLand will transfer and assign the Target A Sale Loan to the Purchaser; and (ii) AIHL will transfer and assign the Target B Sale Loan to the Purchaser.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET A GROUP AND THE TARGET B GROUP

The Target A Group is principally engaged in resort and property development focusing on the development of the BVI Project.

When the Group disposed of its 50% interest in Quorum to InterIsle in 2007, the Group recognised an interest in Quorum of approximately HK\$36,469,000, a promissory note due from Quorum of US\$22 million (approximately HK\$171.6 million) (the “Promissory Note”) and made an advance to Quorum of approximately HK\$12,955,000, thus, making a total investment of approximately HK\$221,024,000. The Group had subsequently recovered part of the investment of approximately HK\$9,750,000 and made a further advance of approximately HK\$3,808,000 to Quorum, thus, resulting in a total investment in the BVI Project of approximately HK\$215,082,000 before any impairment loss was made against it. Owing to sluggish business conditions of resort business in the BVI and also the continued uncertainties associated with the economic conditions in the US, the value of the BVI Project has depreciated considerably throughout the years resulting in the total carrying value of the BVI Project reducing down to approximately HK\$149,257,000 as at Latest Practicable Date (consisting of the Promissory Note of approximately HK\$136,360,000 and amount due from Quorum of HK\$12,897,000) as accumulated impairment losses of approximately HK\$65,825,000 (or approximately 31% of the total investment cost of HK\$215,082,000) had been recognised over the years up to the Latest Practicable Date.

The table below sets forth the unaudited financial information of the Target A Group:

	For the year ended 30 June	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	(41,308)	(51)
Net loss after taxation	(42,627)	(51)

The unaudited consolidated net asset value of the Target A Group as at 31 October 2015 amounted to approximately HK\$1,343,000.

The Target B Group is principally engaged in resort and property development focusing on the development of the Panama Project.

The Group first acquired the properties under the Panama Project in 2007 for a consideration of approximately HK\$151,986,000 and had incurred pre-development expenditure of approximately HK\$29,832,000 up to the Latest Practicable Date. Accordingly, the Group has so far invested approximately HK\$181,818,000 in the Panama Project. Owing to sluggish business conditions of resort business in the Republic of Panama and also the continued uncertainties associated with the economic conditions in the US, the carrying value of the Panama Project has dropped considerably over the years and the estimated valuation of the Panama Properties was reduced down to HK\$99,500,000 as at the Latest Practicable Date. Accordingly, the Panama Project has depreciated by approximately HK\$82,318,000 (or approximately 45% of the total investment costs of HK\$181,818,000) since acquired by the Group.

LETTER FROM THE BOARD

The table below sets forth the unaudited financial information of the Target B Group:

	For the year ended 30 June	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit before taxation	(24,553)	1,645
Net (loss)/profit after taxation	(24,553)	1,645

The unaudited consolidated net liability value of the Target B Group as at 31 October 2015 amounted to approximately HK\$26,501,000.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the BVI with limited liability and is wholly owned by Mr. Hung as at the Latest Practicable Date.

FINANCIAL EFFECTS OF THE DISPOSAL

The effect of the Disposal on the earnings, assets and liabilities of the Group is set out below.

Earnings

Based on the total consideration for the Disposal of HK\$255,000,000 less (i) the Target A Group Carrying Value of approximately HK\$150,882,000 as at 31 October 2015; (ii) the Target B Group Carrying Value of approximately HK\$99,401,000 as at 31 October 2015; and (iii) the related expenses of approximately HK\$1,300,000, it is expected that, upon Completion, for illustrative purpose, an unaudited gain before taxation of approximately HK\$3,417,000 will be recognised from the Disposal and there will be a positive financial effect on the earnings of the Remaining Group after Completion.

Assets

As at 30 June 2015, the audited consolidated total assets of the Group amounted to approximately HK\$560,798,000 of which approximately HK\$158,147,000 was attributable to the Target A Group and approximately HK\$102,389,000 was attributable to the Target B Group. Taking into account the net proceeds from the Disposal and assuming completion of the assignment of the Sale Loans of Target A and Target B, respectively to the Purchaser at a total consideration of approximately HK\$253,700,000 (net of expenses directly attributable thereto), the unaudited consolidated total assets of the Remaining Group would be approximately HK\$553,962,000 if Completion could have taken place on 30 June 2015.

LETTER FROM THE BOARD

Liabilities

As at 30 June 2015, the audited consolidated total liabilities of the Group amounted to approximately HK\$83,260,000 of which approximately HK\$2,130,000 and HK\$4,894,000 were attributable to the Target A Group and the Target B Group, respectively. As such, the unaudited consolidated total liabilities of the Remaining Group would be approximately HK\$76,236,000 if Completion could have taken place on 30 June 2015.

REASONS FOR THE DISPOSAL AND INTENDED USE OF PROCEEDS

As at the Latest Practicable Date, the Group was principally engaged in resort and property development, property investment and investment holding.

Since 2007, the Group has been partnering with InterIsle in the development of the BVI Project through Quorum. As a result of the failure by InterIsle to comply with its payment obligation under the joint venture agreement, the Group commenced legal proceeding in the High Court of the BVI in December 2012 and filed (i) a claim against InterIsle and relevant parties for the transfer of over 30% interest in Quorum to the Group as a result of its non-payment of the final installment of US\$10.5 million (equivalent to approximately HK\$81,900,000); and (ii) a claim against Quorum for the non-payment of the Promissory Note (the “Litigation”). Whilst the master plan for the BVI Project has already been approved by the relevant authorities based on which the development of the BVI Project can commence, the actual commencement of development depends on the progress and outcome of the Litigation and market conditions (including the economic conditions in the US). The BVI Project has yet generated any revenue for the Group and with the ongoing Litigation, the Company believes that its ability to realise or monetise its investment in the BVI Project in the near term to be unlikely.

Although the master plan for the BVI Project has already been approved by the relevant authorities, the commencement of the development primarily depends on the progress and outcome of the Litigation. It is estimated that the BVI Project will be completed in phases within approximately ten years and will require more than four years in order to start generating positive net cash inflow. The estimated total development cost for the BVI Project is approximately US\$995 million (approximately HK\$7.76 billion). The internal rate of return was initially estimated to be no less than 40% when the BVI Project began in 2007. However, owing to sluggish business conditions of resort business in BVI and also the continued uncertainties associated with the economic conditions in the US, the Company believes that the estimated internal rate of return of no less than 40% may not be achievable.

The Group first acquired the properties under the Panama Project in 2007. Owing to sluggish business conditions of resort business in the Republic of Panama and also the economic conditions in the US, the carrying value of the Panama Project has dropped considerably over the years. In view of the decrease in value and the diminishing development potential of the Panama Project, coupled with the anticipated cost associated with the development of the Panama Project, which the Company anticipates that additional financial funding will be required from time to time, the continued uncertainties associated with the economic conditions in the US, and the Panama Project has yet generated any revenue for the Group, the Company believes that the return on investment from the Panama Project may not be realised in the short term.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the master plan of the Panama Project has not yet been completed and will be subject to approvals from the relevant government authorities. It is estimated that the time required to obtain approval for the master plan is approximately one year from the date of application. Once the master plan has been approved by the relevant government authorities, it is estimated that the Panama Project will be completed in phases within approximately ten years and will take approximately four years to start generating positive net cash inflow. The estimated total development cost for the Panama Project is approximately US\$458 million (approximately HK\$3.57 billion). The internal rate of return was initially estimated to be no less than 30% when the Panama Project began in 2008. However, owing to sluggish business conditions of resort business in the Republic of Panama and also the continued uncertainties associated with the economic conditions in the US, the Company believes that the estimated internal rate of return of no less than 30% may not be achievable.

The Directors consider that it is in the best interests of the Company and the Shareholders as a whole to implement the Disposal based on the following reasons:

- the Disposal could allow the Group to realise its non-revenue generating investments and to utilise the proceeds from the Disposal as and when new opportunities arise to enhance the financial growth of the Remaining Group and to maximise the return to the Shareholders;
- the Disposal could allow the Group to focus and realign its resources in the revenue-generating property investment and investment holding business;
- the Disposal could allow the Group to cease to account for its results for the possible future impairment loss on the amount and the promissory note due from Quorum, the possible future impairment loss on the Panama Project, and the loss attributed to the administrative expenses associated with the Target A Group and the Target B Group; and
- the Disposal could prevent the Remaining Group from bearing further risks, costs and uncertainties attached to the Litigation concerning the BVI Project and the possible further devaluation of the Panama Project.

Following the Disposal, the Company will no longer be involved in the BVI Project and the Panama Project.

Based on the above, the Directors (including independent non-executive Directors whose views are set out in the “Letter from the Independent Board Committee” in this circular after taking into account of the advice from the Independent Financial Adviser) consider that the terms of the Disposal are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately HK\$253,700,000. The Group intends to apply the net proceeds as to approximately HK\$50,000,000 for investments in corporate bonds and the remaining balance of approximately HK\$203,700,000 as general working capital for the Remaining Group and/or for attractive investment opportunities, particularly those that are property-related, which may arise in future and are expected to bring substantial value to the Group.

LETTER FROM THE BOARD

The Group's present plan is to continue to focus on residential and commercial property business opportunities in Hong Kong and the PRC, which are markets where the Group's management is more familiar with. With an aim to expand the Group's property investment business, the Group has been continuously looking for property-related business opportunities in Hong Kong. To widen the scope of the Group's property investment portfolio, the Company is also considering commercial property and hotel investments with an aim to maximise return to Shareholders. The Group has been exploring various investment opportunities available in the market recently which includes various commercial properties, boutique hotel and office units. No decision has however been made as at the Latest Practicable Date. The Company will issue further announcement(s) to provide Shareholders with further details once an investment opportunity has been identified.

The Group has been engaging in the investment holding business as part of its treasury management activities in effectively utilising surplus funds on hand to earn income. The Group has been investing in equity securities listed in Hong Kong and corporate bonds issued by listed property companies in Hong Kong since 2011. As for listed equity securities, the Company's investment strategy is to target for stocks with good value appreciation potential whether in short, medium or long term and/or good dividend yield. As for corporate bonds, the Company is to target for bonds with good interest yield and low default risk. It is the Company's intention that it will continue to carry on the investment holding business as part of its treasury management activities by investing in, under prevailing market conditions, equity securities listed in Hong Kong and bonds issued by listed companies in Hong Kong, particularly those operating in the property development sector.

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges with good liquidity that can facilitate swift execution of securities transactions. In making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Group has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for medium to long term purposes, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook etc. When deciding on acquiring securities to be held for short term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. For medium to long term securities investments, the Company mainly emphasizes on return of investment in form of value appreciation and dividend income. For short term securities investments, the Company mainly emphasizes on return of investment in form of trading gains/imminent value appreciation.

Similarly for corporate bond investments, the Company generally acquires corporate bonds in Over-The-Counter market with good liquidity that can facilitate swift execution of transactions. In making investment or divestment decisions on corporate bond issued by individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring bonds to be held for medium to long term purposes, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook etc. For medium to long term corporate bond investments, the Company mainly

LETTER FROM THE BOARD

emphasizes on return of investment in form of bond value appreciation and interest income. The Group's management regularly reviews the performance of the corporate bonds portfolio, at least on a monthly basis, to consider if any investment/divestment decisions are necessary.

Based on the total consideration for the Disposal of HK\$255,000,000 less (i) the Target A Group Carrying Value of approximately HK\$150,882,000 as at 31 October 2015; (ii) the Target B Group Carrying Value of approximately HK\$99,401,000 as at 31 October 2015; and (iii) the related expenses of approximately HK\$1,300,000, it is expected that, upon Completion, for illustrative purpose, an unaudited gain before taxation of approximately HK\$3,417,000 will be recognised from the Disposal.

The actual gain or loss arising from the Disposal shall be determined based on the consolidated net asset/liability value of the Target A Group and the Target B Group and the amount of the Sale Loans as at the date of Completion, and also the amount of expenses actually incurred incidental to the Disposal which may be different from the above.

LISTING RULES IMPLICATIONS

The Purchaser is a company wholly and beneficially owned by Mr. Hung, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015, and is therefore a connected person of the Company. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the Previous Transactions were entered into or completed between the Group and Mr. Hung or his associates within a 12-month period, the Previous Transactions should be aggregated with the Disposal Agreement pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal (aggregated with the Previous Transactions) are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Disposal is also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The above mentioned aggregation would not result in any of the percentage ratio changes to the extent that the classification of the transactions contemplated under the Disposal Agreement is altered.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

None of the Directors has a material interest in the Disposal Agreement and the transactions contemplated thereunder or was required to abstain from voting on the Board resolution for considering and approving the same.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at Suite 2418, 24/F., Jardine House, 1 Connaught Place, Central, Hong Kong at 2:00 p.m. on 21 December 2015 (Monday), is set out on pages 54 to 55 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Disposal Agreement and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon 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 but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

RECOMMENDATIONS

The Directors (including independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" in this circular after taking into account of the advice from the Independent Financial Adviser) believe that the terms of the Disposal Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Disposal Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 20 to 33 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal Agreement and the principal factors and reasons taken into account in arriving at its advice.

After taking into account the advice of the Independent Financial Adviser, the Independent Board Committee is of the opinion that the terms of the Disposal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular and the notice of the SGM as set out on pages 54 to 55, which form part of this circular.

As the Disposal is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Applied Development Holdings Limited
Wang Jingyu
Chairlady and Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

4 December 2015

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
APPLIED ENTERPRISES LIMITED AND BEACHSIDE INVESTMENTS LIMITED
AND ASSIGNMENT OF LOANS**

We refer to the circular of Applied Development Holdings Limited dated 4 December 2015 (the “Circular”) of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

The Purchaser is a company wholly and beneficially owned by Mr. Hung, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015, and is therefore a connected person of the Company. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the Previous Transactions were entered into or completed between the Group and Mr. Hung or his associates within a 12-month period, the Previous Transactions should be aggregated with the Disposal Agreement pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal (aggregated with the Previous Transactions) are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules. The Disposal is also subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed as members of the Independent Board Committee to consider the terms of the Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. Donvex Capital has been appointed as the independent financial adviser to advise us and you in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 20 to 33 of the Circular. Your attention is also drawn to the aforesaid Letter from the Board and the additional information set out in the appendices to the Circular.

Having considered the terms of the Disposal Agreement and the advice of Donvex Capital, we consider the terms of the Disposal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Su Ru Jia

*Independent Non-executive
Director*

Mr. Lo Yun Tai

*Independent Non-executive
Director*

Mr. Chan Ming Fai, Terence

*Independent Non-executive
Director*

LETTER FROM DONVEX CAPITAL

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

4 December 2015

*The Independent Board Committee
and the Independent Shareholders of
Applied Development Holdings Limited*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
APPLIED ENTERPRISES LIMITED AND BEACHSIDE INVESTMENTS LIMITED
AND ASSIGNMENT OF LOANS**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 4 December 2015 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

The Board announces that on 9 November 2015 (after trading hours), the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to procure the sale to the Purchaser, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Sale Loans at a total consideration of HK\$255.0 million.

The Purchaser is a company wholly and beneficially owned by Mr. Hung, an ex-Executive Director, ex-Managing Director and ex-Chairman of the Company who resigned on 15 July 2015, and is therefore a connected person of the Company. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM DONVEX CAPITAL

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder. None of the Directors has a material interest in the Disposal Agreement and the transaction contemplated thereunder or was required to abstain from voting on the Board resolutions for considering and approving the same.

The Independent Board Committee, comprising Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the Disposal Agreement and the transactions contemplated thereunder. We, Donvex Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and accordingly, were qualified to advise the Independent Board Committee and the Independent Shareholders with respect to the Disposal Agreement and the transactions contemplated thereunder. We have not provided any services to the Company in the last two years prior to the Latest Practicable Date, except for the current engagement as the Independent Financial Adviser. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board contained in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

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 the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or 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, or its subsidiaries or associates, nor have we considered the taxation implication on the Group as a result of the Disposal.

LETTER FROM DONVEX CAPITAL

Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Independent 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. In addition, 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.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Disposal, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the terms of the Disposal Agreement, we have considered the following principal factors and reasons:

1. Background information of the Group

(a) *Principal business*

The Company acts as an investment holding company. The Group is principally engaged in (i) resort and property development; (ii) property investment; and (iii) investment holding. The Group currently has two resort projects, one in the BVI and one in Panama, which are both under development. The Group has investment properties in Hong Kong which generates rental income. The Group also invested in listed debt instruments issued by properties developers listed in Hong Kong.

(b) *Historical financial information*

Set out below is a summary of the audited consolidated financial results of the Group for the two financial years ended 30 June 2015 as extracted from the annual report of the Company for the financial year ended 30 June 2015 (the “**2015 Annual Report**”).

	For the year ended 30 June	
	2014	2015
	HK\$ '000	HK\$ '000
Turnover	279	2,652
(Loss)/profit for the year	(96,068)	7,679

LETTER FROM DONVEX CAPITAL

	As at 30 June	
	2014	2015
	HK\$ '000	HK\$ '000
Net current liabilities	(65,444)	(12,679)
Net assets	388,740	477,538

(i) For the financial year ended 30 June 2015

Turnover of the Group increased from approximately HK\$0.3 million for the year ended 30 June 2014 (“**FY2014**”) to approximately HK\$2.7 million for the year ended 30 June 2015 (“**FY2015**”). According to the 2015 Annual Report, the increase in turnover for FY2015 was mainly due to the interest income generated from the Group’s investment in listed debt instruments issued by properties developers in Hong Kong of approximately HK\$1.8 million in FY2015.

The Group recorded a profit of approximately HK\$7.7 million for FY2015 and a loss of HK\$96.1 million for FY2014. The significant increase in profit of the Group was mainly due to (i) the increase in fair values of investment properties of approximately HK\$23.4 million in FY2015 as compared to a decrease in fair value of approximately HK\$32.1 million in FY2014; and (ii) interest income on promissory note receivable from a joint venture of approximately HK\$10.9 million in FY2015 as compared to an impairment loss of approximately HK\$22.9 million on promissory note receivable from a joint venture in FY2014.

As set out in the 2015 Annual Report, the Group has net current liabilities of approximately HK\$12.7 million and net assets of approximately HK\$477.5 million as at 30 June 2015.

(ii) For the financial year ended 30 June 2014

Turnover of the Group increased from nil for the year ended 30 June 2013 (“**FY2013**”) to approximately HK\$0.3 million for FY2014. The turnover generated in FY2014 was from rental income generated from investment properties.

The Group recorded a loss of approximately HK\$96.1 million for FY2014 and a loss of approximately HK\$2.3 million for FY2013, the increase in loss was mainly due to (i) the decrease in fair values of investment properties of approximately HK\$32.1 million in FY2014 as compared to an increase in fair values of approximately HK\$18.1 million in FY2013; (ii) increase in administrative expenses of approximately HK\$12.8 million; and (iii) the impairment loss on promissory note receivable from a joint venture of HK\$22.9 million as compared to interest income of HK\$11.9 million on promissory note receivable from a joint venture in FY2013.

The Group had net current liabilities of approximately HK\$65.4 million and net asset of approximately HK\$388.7 million as at 30 June 2014.

LETTER FROM DONVEX CAPITAL

2. Background information of the Target A Group and Target B Group

Target A Group

The Target A Group is principally engaged in resort and property development focusing on the development of the BVI Project.

The table below sets forth the unaudited financial information of the Target A Group:

	For the year ended 30 June	
	2014	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Net loss before taxation	(41,308)	(51)
Net loss after taxation	(42,627)	(51)

The unaudited consolidated net asset value of the Target A Group as at 31 October 2015 amounted to approximately HK\$1.3 million.

The BVI Project has yet to generate any revenue for the Group as at the Latest Practicable Date.

Target B Group

The Target B Group is principally engaged in resort and property development focusing on the development of the Panama Project.

The table below sets forth the unaudited financial information of the Target B Group:

	For the year ended 30 June	
	2014	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Net (loss)/profit before taxation	(24,553)	1,645
Net (loss)/profit after taxation	(24,553)	1,645

The unaudited consolidated net liability value of the Target B Group as at 31 October 2015 amounted to approximately HK\$26.5 million.

The Panama Project has yet to generate any revenue for the Group as at the Latest Practicable Date. The profit generated for the year ended 30 June 2015 was primarily due to the upward revaluation of properties owned by Beachside Investments Limited.

LETTER FROM DONVEX CAPITAL

3. Reasons for the Disposal

BVI Project

Since 2007, the Group has been partnering with InterIsle in the development of the BVI Project through Quorum, a joint venture company owned as to 50% by Target A and 50% by InterIsle. As a result of the failure by InterIsle to comply with its payment obligation under the joint venture agreement, the Group commenced legal proceeding in the High Court of the British Virgin Islands in December 2012 and filed (i) a claim against InterIsle and relevant parties for the transfer of over 30% interest in Quorum to the Group as a result of its non-payment of the final installment of US\$10.5 million (equivalent to approximately HK\$81.9 million); and (ii) a claim against Quorum for the non-payment of a promissory note in the principal amount of US\$22 million (approximately HK\$171.6 million) (the “**Litigation**”).

Whilst the master plan for the BVI Project has already been approved by the relevant authorities based on which the development of the BVI Project can commence, the actual commencement of development depends on the progress and outcome of the Litigation and market conditions (including the economic conditions in the US). The BVI Project has yet generated any revenue for the Group and with the ongoing Litigation, the Company believes that its ability to realise or monetise its investment in the BVI Project in the near term to be unlikely.

According to the 2015 Annual Report, there is a capital commitment of approximately HK\$31.3 million in relation to the joint venture. Based on our understanding with the management of the Company, Quorum has a capital commitment of approximately HK\$62.6 million for the first phase of development of the BVI Project. Since the Group holds 50% in the share of Quorum and that the BVI Project will not be able to generate immediate cashflow after the first phase of its development, the Group will have to provide 50% of such commitment. If the Group can successfully claim against InterIsle for the transfer of over 30% interest in Quorum for the Group as mentioned above, the capital commitment will then be increased to more than HK\$50.0 million. Given that the Group only has bank balances and cash of approximately HK\$27.4 million as at 30 June 2015, such capital commitment will put pressure on the Group to maintain sufficient cashflow in the future.

Although the master plan for the BVI Project has already been approved by the relevant authorities, the commencement of the development primarily depends on the progress and outcome of the Litigation. Management of the Company estimated that the BVI Project will be completed in phases in approximately ten years and will require more than four years from the start of the first phase before positive net cash inflow could be generated. The internal rate of return was initially estimated to be no less than 40% when the BVI Project began in 2007. However, owing to (i) sluggish business conditions of resort business in BVI; (ii) the continued uncertainties associated with the economic conditions in the US; and (iii) the rising construction costs, the Company believes that the estimated internal rate of return of no less than 40% may not be achievable.

Panama Project

The Group first acquired the properties under the Panama Project in 2007. Owing to sluggish business conditions of resort business in the Republic of Panama and also the economic conditions in the

LETTER FROM DONVEX CAPITAL

US, the carrying value of the Panama Project has dropped considerably over the years. In view of the decrease in value and the diminishing development potential of the Panama Project, coupled with the anticipated cost associated with the development of the Panama Project, which the Company anticipates that additional financial funding will be required from time to time, the continued uncertainties associated with the economic conditions in the US, and the Panama Project has yet generated any revenue for the Group, the Company believes that the return on investment from the Panama Project may not be realised in the short term.

In addition, as stated in the 2015 Annual Report, there is a capital commitment of approximately HK\$19.1 million in relation to the Panama Project. Given that the Group has bank balances and cash of approximately HK\$27.4 million as at 30 June 2015, such capital commitment can be met. However, it will put pressure on the Group to maintain sufficient cashflow in the near future as the Panama Project will not generate positive cash inflow in the short term.

As at the Latest Practicable Date, the master plan of the Panama Project has not yet been completed and will be subject to approvals from the relevant government authorities. Management of the Company estimated that the time required to obtain approval for the master plan is approximately one year from the date of application. Once the master plan has been approved by the relevant government authorities, it is estimated that the Panama Project will be completed in phases in approximately ten years and will require more than four years from the start of the first phase before positive net cash inflow could be generated. The internal rate of return was initially estimated to be no less than 30% when the Panama Project began in 2008. However, owing to (i) sluggish business conditions of resort business in the Republic of Panama; (ii) the continued uncertainties associated with the economic conditions in the US; and (iii) the rising construction costs, the Company believes that the estimated internal rate of return of no less than 30% may not be achievable.

The Directors consider that it is in the best interests of the Company and the Shareholders as a whole to implement the Disposal based on the following reasons:

- the Disposal could allow the Group to realise its non-revenue generating investments and to utilize the proceeds from the Disposal as and when new opportunities arise to enhance the financial growth of the Remaining Group and to maximise the return to the Shareholders;
- the Disposal could allow the Group to focus and realign its resources in the revenue generating property investment and investment holding business;
- the Disposal could allow the Group to cease to account for its results for the possible future impairment loss on the amount and the promissory note due from Quorum, the possible future impairment loss on the Panama Project, and the loss attributed to the administrative expenses associated with the Target A Group and the Target B Group; and
- the Disposal could prevent the Remaining Group from bearing further risks, costs and uncertainties attached to the Litigation concerning the BVI Project and the possible further devaluation of the Panama Project.

LETTER FROM DONVEX CAPITAL

Furthermore, as mentioned above and based on our discussion with the management of the Company, should the Company decide not to proceed with the Disposal, additional capital will be required for the development of both the BVI Project and the Panama Project. As stated in the 2015 Annual Report, the aggregated capital commitment for the BVI Project and the Panama Project is approximately HK\$50.4 million. Given that the Group only has bank balances and cash of approximately HK\$27.4 million as at 30 June 2015, such capital commitment will put pressure on the Group to maintain sufficient cashflow in the future.

According to the management of the Company, the Company had, at their best effort, to identify potential investors and buyers for the BVI Project and the Panama Project. However, due to the fact that (i) the BVI Project has an ongoing litigation; and (ii) the master plan of the Panama Project have not been approved by the relevant authorities, therefore no investors or buyers were willing to provide an offer on the two projects with reasonable terms and conditions. As such, an offer with reasonable terms and conditions from Mr. Hung on the BVI Project and the Panama Project provides the Company with an opportunity to dispose of its non-revenue generating projects and strengthen the Groups cashflow.

Based on the above, we concur with the Directors' view that the Disposal is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Disposal Agreement, Target A Sale Loan Assignment and Target B Sale Loan Assignment

(a) *The Disposal Agreement*

The followings are our analyses on the principal terms of the Disposal Agreement:

(i) *Consideration*

The total consideration payable by the Purchaser for the Sale Shares and the Sale Loans is HK\$255.0 million (the “**Consideration**”) and shall be payable by the Purchaser to the Company in the following manner:

- (a) a deposit in the sum of HK\$5.0 million payable upon signing of the Disposal Agreement which had been received as at the Latest Practicable Date; and
- (b) the balance of the consideration in the sum of HK\$250.0 million shall be payable upon Completion.

According to the Letter from the Board, the Consideration for the Disposal was determined after arm's length negotiations between the Company and the Purchaser taking into account various factors including (i) the financial position, business outlook and future prospect of the BVI Project and the Panama Project; (ii) the valuation of the BVI Properties; (iii) the valuation of the Panama Properties; (iv) the adjusted unaudited consolidated net asset value of the Target A Group of approximately HK\$150.9 million as at 31 October 2015; and (v) the adjusted unaudited consolidated net asset value of the Target B Group of approximately HK\$99.4 million as at 31 October 2015.

LETTER FROM DONVEX CAPITAL

The valuation report of the BVI Properties and the Panama Properties, which we have relied on to assess the fairness and reasonableness of the considerations for the Sale Shares and the Sale Loans, is prepared by the Valuer, an independent third party, and is determined based on the direct comparison approach. Please refer to the section headed “5. Valuation Report” below for detailed information.

We have also compared the Consideration with the net asset value of the Target A Group and Target B Group. According to the unaudited consolidated management accounts of the Target A Group as at 31 October 2015, the unaudited consolidated net asset value of the Target A Group is approximately HK\$1.3 million, which comprises of the Target A Sale Loan of approximately HK\$149.5 million. According to the unaudited consolidated management accounts of the Target B Group as at 31 October 2015, the unaudited consolidated net liability value of the Target B Group of approximately HK\$26.5 million, which comprises of the Target B Sale Loan of approximately HK\$125.9 million.

Having considered the above, we are of the view that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) *Condition Precedent*

Completion is conditional upon the fulfillment of the following Conditions:

- (a) the passing of the resolution(s) by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder; and
- (b) in relation to the transactions contemplated under the Disposal Agreement, all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied.

None of the Conditions are capable of being waived by any party.

If before Completion,

- (a) in the reasonable opinion of the Purchaser, a material adverse change on the Target A Group and the Target B Group has occurred or is likely to occur; or
- (b) in the reasonable opinion of the Purchaser, any of the warranties given by the Company in the Disposal Agreement is not true and accurate or is misleading or any matter or circumstance has arisen, or come to the notice of the Purchaser, that in the reasonable opinion of the Purchaser would be likely to result in one or more of the said warranties not being true and accurate or is misleading were such warranties to be repeated at Completion by reference to the facts or circumstances then existing,

LETTER FROM DONVEX CAPITAL

then, without prejudice to any other rights or remedies available to the Purchaser, the Purchaser may elect not to complete the Disposal by giving notice to the Company to that effect and the Deposit shall be refunded without interest to the Purchaser by the Company within seven Business Days from the giving of such notice.

In the event that the Conditions are not fulfilled on or before the Long Stop Date, and the parties to the Disposal Agreement do not proceed to Completion, the Deposit shall be refunded without interest by the Company to the Purchaser within seven Business Days from the Long Stop Date whereupon the Disposal Agreement shall terminate with immediate effect, and neither party shall have any rights or obligations against the other under the Disposal Agreement except for any antecedent breach.

In the event that the Conditions are fulfilled on or before the Long Stop Date, and the Purchaser does not proceed to Completion, the Deposit shall be forfeited by the Company. Other than the aforesaid situation, under no other circumstances shall the Deposit be forfeited by the Company.

(iii) Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to hold any interest in the Target A Group and the Target B Group and each of Target A and Target B will cease to be a subsidiary of the Company. Pursuant to the Disposal Agreement, upon Completion, the Vendor will procure each of AppliedLand and AIHL to execute the Target A Sale Loan Assignment and the Target B Sale Loan Assignment, respectively, pursuant to which (i) AppliedLand will transfer and assign the Target A Sale Loan to the Purchaser; and (ii) AIHL will transfer and assign the Target B Sale Loan to the Purchaser.

Having considered the above, we are of the view that the terms of the Disposal Agreement are normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(b) Target A Sale Loan Assignment

Pursuant to the Target A Sale Loan Assignment, AppliedLand as the legal and beneficial owner shall assign unto the Purchaser all rights and interests in the Target A Sale Loan which shall represent all obligations, liabilities and debts owing or incurred by Target A to AppliedLand as at the Completion Date.

We have reviewed the terms of the Target A Sale Loan Assignment and are not aware of any term which is uncommon. Given that it was a commercial decision between the parties to include the delivery of the Target A Sale Loan Assignment upon Completion by the Company to the Purchaser as a term of the Disposal Agreement, and that the terms of the Target A Sale Loan Assignment are on normal commercial terms, we consider that the entering into of the Target A Sale Loan Assignment is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM DONVEX CAPITAL

(c) Target B Sale Loan Assignment

Pursuant to the Target B Sale Loan Assignment, AIHL as the legal and beneficial owner shall assign unto the Purchaser all rights and interests in the Target B Sale Loan which shall represent all obligations, liabilities and debts owing or incurred by Target B to AIHL as at the Completion Date.

We have reviewed the terms of the Target B Sale Loan Assignment and are not aware of any term which is uncommon. Given that it was a commercial decision between the parties to include the delivery of the Target B Sale Loan Assignment upon Completion by the Company to the Purchaser as a term of the Disposal Agreement, and that the terms of the Target B Sale Loan Assignment are on normal commercial terms, we consider that the entering into of the Target B Sale Loan Assignment is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

5. Valuation Report

Given that the considerations for the Target A Group and Target B Group were determined with reference to, among other things, the valuation of the BVI Properties and Panama Properties, we have reviewed the valuation report (the “**Valuation Report**”) prepared by the Valuer as set out in Appendix II to the Circular and discussed with them regarding the methodology of and the principal bases and assumptions adopted for the valuation of the BVI Properties and Panama Properties.

The Valuation Report has been prepared by the Valuer in compliance with all requirements contained in Chapter 5 to the Listing Rules and The HKIS Valuation Standard on Properties (2012 Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2013.

We noted that the Valuer had used direct comparison approach for the valuation of the BVI Properties and Panama Properties by making reference to comparable sales transactions as available in the relevant market. We understand from the Valuer that the direct comparison approach by making reference to comparable market transactions is a commonly adopted approach in the determination of the value of properties.

For our due diligence purpose, we reviewed and enquired the Valuer’s qualification and experience in relation to the performance of the valuation. We noted that the Valuer has over 20 years of experience in performing valuation for overseas properties (location other than Hong Kong). The Valuer confirmed that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the BVI Properties and Panama Properties provided or made by the Company to the Valuer not having been included in the valuation. In addition, we also reviewed the terms of the Valuer’s engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

LETTER FROM DONVEX CAPITAL

The Valuer had selected three comparables for the BVI Properties and eight comparables for the Panama Properties (collectively, the “Comparables”). Based on our understanding with the Valuer, the Comparables were selected based on (i) their size, land conditions and locations, which are located at the Caribbean or Panama; and (ii) either successful transactions within the past two years or currently up for sales. For Comparables which are currently up for sales, the Valuer will apply a discount on the asking price based on their market research data to reflect a fair and reasonable price of the properties. We confirmed with the Valuer that the list of Comparables was an exhaustive list and the Valuer consider the Comparables to be fair, sufficient and representative samples to illustrate the recent trend of similar properties in the BVI and Panama.

Besides our discussion with the Valuer, we had also reviewed certain working documents of the valuation and publicly available information of the Comparables. To the best of our knowledge, we found no material information that would adversely affect the fairness and reasonableness of the preparation of the valuation report.

Based on the aforesaid, we consider that the above valuation methodology is a reasonable approach in establishing the market value of the BVI Properties and Panama Properties and the basis of the valuation report is fair and reasonable.

6. Use of proceed and the Remaining Group

Upon completion of the Disposal, the Remaining Group will continue to be principally engaged in property investment and investment holding business. The Remaining Group will seek to expand these business segments by looking for appropriate opportunities with the aim to bring satisfactory return to the Remaining Group and the Shareholders.

The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately HK\$253.7 million. The Group intends to apply the net proceeds as to approximately HK\$50.0 million for investments in corporate bonds and the remaining balance of approximately HK\$203.7 million as general working capital for the Remaining Group and/or for attractive investment opportunities, particularly those that are property-related, which may arise in future and are expected to bring substantial value to the Group. As at the Latest Practicable Date, according to the management of the Company, the Group has not yet identified any suitable investment opportunity.

As mentioned in the section headed “Background of the Group”, the Group received interest income of approximately HK\$1.8 million in FY2015 from investment in listed debt instruments issued by properties developers listed in Hong Kong. The turnover from such investment activities represented approximately 69% of the Group’s total turnover. As such, the use of proceeds of HK\$50.0 million will allow the Remaining Group to increase its interest income received from debt instruments and maintain a steady stream of revenue for the Remaining Group.

LETTER FROM DONVEX CAPITAL

7. Financial effect of the Disposals

Gain from Disposal

Based on the total consideration for the Disposal of HK\$255.0 million less (i) the Target A Group Carrying Value of approximately HK\$150.9 million as at 31 October 2015; (ii) the Target B Group Carrying Value of approximately HK\$99.4 million as at 31 October 2015; and (iii) the related expenses of approximately HK\$1.3 million, it is expected that, upon Completion, for illustrative purpose, an unaudited gain before taxation of approximately HK\$3.4 million will be recognised from the Disposal.

The actual gain or loss arising from the Disposal shall be determined based on the consolidated net asset/liability value of the Target A Group and the Target B Group and the amount of the Sale Loans as at the date of Completion, and also the amount of expenses actually incurred incidental to the Disposal which may be different from the above.

Assets

As at 30 June 2015, the audited consolidated total assets of the Group amounted to approximately HK\$560.8 million of which approximately HK\$158.1 million was attributable to the Target A Group and HK\$102.4 million was attributable to the Target B Group. Taking into account the net proceeds from the Disposal and assuming completion of the assignment of the Sale Loans of Target A and Target B, respectively to the Purchaser at a total consideration of approximately HK\$253.7 million (net of expenses directly attributable thereto), the unaudited consolidated total assets of the Remaining Group would be approximately HK\$554.0 if Completion could have taken place on 30 June 2015.

As at 30 June 2015, the Group had bank balances and cash in the amount of approximately HK\$27.4 million, of which approximately HK\$24.9 million is related to the Remaining Group's bank balances and cash. As such, it is estimated that the Remaining Group will have bank balances and cash in the amount of HK\$278.6 million upon Completion (after deduction of related expenses) which can be applied according to the use of proceeds as mentioned in the section headed "6. Use of proceeds and the Remaining Group".

Liabilities

As at 30 June 2015, the audited consolidated total liabilities of the Group amounted to approximately HK\$83.3 million of which approximately HK\$2.1 million and HK\$4.9 million were attributable to the Target A Group and the Target B Group, respectively. As such, the unaudited consolidated total liabilities of the Remaining Group would be approximately HK\$76.2 million if Completion could have taken place on 30 June 2015.

LETTER FROM DONVEX CAPITAL

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, which include:

- (i) the Disposal could allow the Group to realise its non-revenue generating investments and to utilize the proceeds from the Disposal as and when new opportunities arise to enhance the financial growth of the Remaining Group and to maximise the return to the Shareholders;
- (ii) the Disposal could allow the Group to focus and realign its resources in the revenue generating property investment and investment holding business;
- (iii) the Disposal could allow the Group to cease to account for its results for the possible future impairment loss on the amount and the promissory note due from Quorum, the possible future impairment loss on the Panama Project, and the loss attributed to the administrative expenses associated with the Target A Group and the Target B Group;
- (iv) the Disposal could prevent the Remaining Group from bearing further risks, costs and uncertainties attached to the Litigation concerning the BVI Project and the possible further devaluation of the Panama Project;
- (v) the Consideration for the Sale Shares and the Sale Loans was determined with reference to the valuation of the BVI Properties and Panama Properties prepared by the Valuer;
- (vi) an estimated gain before taxation of approximately HK\$3.4 million will be recognised from the Disposal; and
- (vii) both the financial and cash positions of the Remaining Group will be strengthened after the Completion.

We are of the opinion that the terms of the Disposal Agreement are on normal and commercial terms so far as the Independent Shareholders are concerned and the Disposal is fair and reasonable and 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 favor of the relevant resolution(s) at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Vily Leung
Director

Ms. Vily Leung is a licensed person and a responsible officer of Donvex Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Ms. Leung has extensive experience as an independent financial adviser to advice on connected transaction.

1. INDEBTEDNESS**Borrowings**

At the close of business on 31 October 2015, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding secured bank borrowings of approximately HK\$74 million.

Pledge of assets and other securities

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had provided the following securities for the banking facilities granted to Applied Investment (Asia) Limited (“AIA”), a direct wholly owned subsidiary of the Company:

- (a) pledge of investment properties with a carrying amount of approximately HK\$251 million;
- (b) all monies earned by the above pledged investment properties of the Group;
- (c) property insurance on the pledged investment properties executed by the Group in favour of the bank; and
- (d) unconditional and irrevocable corporate guarantee given by the Company in respect of all amounts owing by AIA to the bank under the facilities.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 October 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the effects of the Completion and the financial resources available to the Group, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECT

It is the intention of the Group to continue to principally engage in the property investment and investment holding business upon completion of the Disposal. Currently, the Group's investment properties comprise apartment units and car parking spaces in Severn Villa, the Peak, Hong Kong whereas its investment holding portfolio comprise corporate bonds issued by property companies listed on the Stock Exchange.

Details of the apartment units and car parking spaces in Severn Villa are set out in the table below:

Residential Unit	Approximate Gross Floor Area (square feet)	Occupied/ Vacant	Terms of Tenancy	Remarks
Two units on 1st Floor	3,140	Vacant	It is intended that a tenancy will be concluded with rent of no less than HK\$200,000 per month.	The proposed tenancy will include a swimming pool, a private garden and four car parking spaces
One unit on 2nd Floor	1,570	Occupied	Rent is HK\$40,000 per month for a term of two years ending in 2016. It is intended that a new tenancy will be concluded with rent of no less than HK\$60,000 per month.	The tenancy includes one car parking space
One unit on 3rd Floor	1,570	Occupied	Rent is HK\$80,000 per month for a term of two years ending in 2017.	The tenancy includes the roof above the unit and one car parking space

During the previous financial years, the Group had invested in stocks of:

- HSBC Holdings Plc (Stock Exchange stock code: 005);
- Ping An Insurance (Group) Company of China, Ltd (Stock Exchange stock code: 2318);
- Evergrande Real Estate Group Limited (Stock Exchange stock code: 3333);
- Get Nice Holdings Limited (Stock Exchange stock code: 64); and
- Kaisa Group Holdings Ltd (Stock Exchange stock code: 1638);

and bonds issued by:

- Shui On Land Limited (Stock Exchange stock code: 272);
- Agile Property Holdings Limited (Stock Exchange stock code: 3383);
- Evergrande Real Estate Group Limited (Stock Exchange stock code: 3333); and
- Kaisa Group Holdings Ltd (Stock Exchange stock code: 1638);

and bonds guaranteed by Guangzhou R&F Properties Co., Ltd. (Stock Exchange stock code: 2777). The yield to maturity upon purchase of these bonds ranged from 7% to 13% per annum.

The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately HK\$253,700,000. The Group intends to apply the net proceeds as to approximately HK\$50,000,000 for investments in corporate bonds and the remaining balance of approximately HK\$203,700,000 as general working capital for the Remaining Group and/or for attractive investment opportunities, particularly those that are property-related, which may arise in future and are expected to bring substantial value to the Group.

Upon completion of the Disposal, the Remaining Group will continue to be principally engaged in the property investment and investment holding business.

In order to improve the performance of the Remaining Group, following the Completion, the Remaining Group will continue to focus on the property investment and investment holding business and will seek to expand these business segments by looking for appropriate investment opportunities with the aim to bring satisfactory return to the Remaining Group and the Shareholders. To widen the scope of the Group's property investment portfolio, the Company is also considering commercial property and hotel investments with an aim to maximise return to Shareholders. The Group has been exploring various investment opportunities available in the market recently which includes various commercial properties, boutique hotel and office units. No decision has however been made as at the Latest Practicable Date. The Company will issue further announcement(s) to provide Shareholders with further details once an investment opportunity has been identified.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2015 of the property interests held by Applied Development Holdings Limited located in Panama and British Virgin Islands.



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Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

4 December 2015

The Board of Directors
Applied Development Holdings Limited
Unit 3402-03, 34/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with the instructions to value the properties in which Applied Development Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Panama and British Virgin Islands, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the property interests as at 31 October 2015 (the "valuation date").

Our valuation of the property interests represents the "market value" which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have adopted the market approach in the valuation of properties by making reference to comparable market transactions in our assessment of the market value of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of the Grant Deed and other documents relating to the property interests and have made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied considerably on the advice given by the Company's legal advisers – Morgan and Morgan and Harneys, concerning the validity of the property interests in Panama and British Virgin Islands respectively.

We have had no reason to doubt the truth and accuracy of the information provided to us by the instructing party. We have also sought confirmation from the instructing party that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the area in respect of the properties but have assumed that the area shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in the period between 5 September 2015 and 13 September 2015 by Mr. Murphy Dik, who is a probationer of the Royal Institution of Chartered Surveyor and has over 1 years' experience in the valuation of properties worldwide.

Unless otherwise stated, all monetary figures stated in this report are in the Hong Kong Dollar (HK\$). The exchange rate adopted in our valuations is approximately USD1 = HK\$7.75 which was approximately the prevailing exchange rate as at the valuation date.

Our valuation certificates are hereby enclosed for your attention.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C.H. Chan
MRICS MHKIS RPS(GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and 21 years of property valuation experience worldwide. He has been working with Jones Lang LaSalle Corporate Appraisal and Advisory Limited since 2008.

SUMMARY OF VALUES

Property interests held for future development by the Group

No. Property	Interest attributable to the Group	Market Value in existing state as at 31 October 2015 HK\$
1. Lot Nos. 1807, 4920, 4921, 4923, 4924, 4935, 4936, 4942, 4943, 4944, 4945, 6921, 20435, 33248, 35039, 41583 and 41619, Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui, Panama	100%	94,000,000
2. Lot No. 60004, The Borough of San Felix, Province of Chiriqui, Panama	100%	5,500,000
3. Trellis Bay Estate Lot Nos. BIG 3840A.4 & 8, BIG 3838A.1 & 9, BIG 3640B.18 & 19, Beef Island, British Virgin Islands	50%	76,000,000
Grand Total:		175,500,000

VALUATION CERTIFICATE

Property interests held for future development by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market Value
				in existing state as at 31 October 2015 HK\$
1.	Lot Nos. 1807, 4920, 4921, 4923, 4924, 4935, 4936, 4942, 4943, 4944, 4945, 6921, 20435, 33248, 35039, 41583 and 41619, Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui, Panama	The property comprises 17 parcels of land with a total site area of approximately 524.66 hectares (or 1,296.46 acres). Portions of the Lot 6921 were sold to various owners before acquisition of the lands by the Group. According to information provided by the Group, the net site area is approximately 494 hectares (or 1,220.70 acres).	The property is currently leased to a third party for cattle grazing purpose (please see note 5 for details). A few temporary structures that pre-existed the Group's acquisition of the property erected thereon.	94,000,000
		The property is held under freehold interests.		

Notes:

1. Playa Grande Development Holdings Inc. is an indirectly wholly-owned subsidiary of the Company.
2. Pursuant to the land search record, the registered proprietor of 17 parcels of land with a total site area of approximately 524.66 hectares is Playa Grande Development Holdings Inc.
3. We have been provided with a legal opinion regarding the property interest by the Company's legal advisers, which contains, inter alia, the following:
 - a. save for note 4, the Group is the legal and beneficial owner of, and has good title in, the property;
 - b. save for note 4, the property is not subject to any charges and encumbrances;
 - c. save for note 4, there is no restriction under Panama laws for the free transfer of the property; and
 - d. save for note 4, the Group is capable to transfer, occupy, use, lease or otherwise dispose of the property.
4. As advised by the Group, the outstanding amount of real estate property taxes of USD207,845.5 owed to the Ministry of Economy and Finance of Panama has been accrued in the accounts of Playa Grande Development Holdings Inc. and will not be settled before the completion of the proposed disposal transactions referred to in the "LETTER FROM THE BOARD" contained in the circular in which this valuation report forms part. Upon completion of the aforesaid disposal transactions, the liability of the outstanding real estate property taxes will be taken up by the purchaser.
5. Pursuant to a Property Management Agreement dated 16 March 2012 between International Top Genetics Inc., Prestige Panama Realty, S.A. and Playa Grande Development Holdings, Inc., Prestige Panama Realty, S.A. was employed as the property manager to manage the property and handle the lease of the property to other group for the purpose of cattle grazing. The expiry date of the agreement is 31 July 2016 and is at a monthly rent of USD1.

6. A general description of the property is summarized as below:

Location	:	The property is situated at Boca Chica of San Lorenzo district.
Nature of Surrounding Area	:	The property is surrounded by undeveloped lands with unpaved roads. No commercial activities can be found in that area except a few resorts located along the sea front. The frontage on south side of the property attached to the South Pacific Ocean.
Transportation	:	Approximately 60 minutes' drive from David City.
Future plans for construction, renovation, improvement or development of the property	:	As advised by the Group, the property is intended to be developed into a large-scale resort development including luxury hotel, marina facility and village, 18-hole golf course, fractional ownership club and various residential units.
		No detailed planning of the property has been established as at the valuation date.

7. According to the information provided by the Group, the development plan is yet to be finalized. However, the existing structures would probably be demolished to make way for future development and therefore we have disregarded them in our valuation.
8. In our valuation, we have identified and analyzed various relevant market information in the locality which have similar characteristic as the subject property. The unit price on site area of these comparables range from USD25,000 to USD38,000 per hectare. The unit rates assumed by us are consistent with the relevant comparable after due adjustments. Due adjustments to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction status, location, size and shape of land in arriving at the key assumption.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value
				in existing state as at 31 October 2015 HK\$
2.	Lot No. 60004, The Borough of San Felix, Province of Chiriqui, Panama	The property comprises a parcel of land with a site area of approximately 9.94 hectares (or 24.56 acres). The property is held under freehold interests.	The property is currently leased to a third party for cattle grazing purpose (please see note 5 for details). A few temporary structures that pre- existed the Group's acquisition of the property erected thereon.	5,500,000

Notes:

1. Playa Grande Hot Spring Development Holdings, Inc. is an indirectly wholly-owned subsidiary of the Company.
2. Pursuant to land search record, the registered proprietor of a parcel of land with a site area of approximately 9.94 hectares is Playa Grande Hot Spring Development Holdings, Inc.
3. We have been provided with a legal opinion regarding the property interest by the Company's legal advisers, which contains, inter alia, the following:
 - a. save for note 4, the Group is the legal and beneficial owner of, and has good title in, the property;
 - b. save for note 4, the Property is not subject to any charges and encumbrances;
 - c. save for note 4, there is no restriction under Panama laws for the free transfer of the property; and
 - d. save for note 4, the Group is capable to transfer, occupy, use, lease or otherwise dispose of the property.
4. As at the valuation date, no real estate property taxes relating to the property were owed to the Ministry of Economy and Finance of Panama.
5. Pursuant to a Property Management Agreement dated 16 March 2012 between International Top Genetics Inc., Prestige Panama Realty, S.A. and Playa Grande Hot Spring Development Holdings, Inc., Prestige Panama Realty, S.A. was employed as the property manager to manage the property and handle the lease of the property to other group for the purpose of cattle grazing. The expiry date of the agreement is 31 July 2016 and is at a monthly rent of USD1, same as the contract referred to in note 5 of the property 1.

6. A general description of the property is summarized as below:

Location	:	The property is located in Boca Chica of San Lorenzo district.
Nature of Surrounding Area	:	There are some small villages with very simple structures located around the property. No commercial activities can be found in that area.
Transportation	:	Approximately 75 minutes' drive from David City.
Future plans for construction, renovation, improvement or development of the property	:	As advised by the Group, the property is intended to be developed into a hot spring resort development.

No detailed planning of the property has been established as at the valuation date.

7. According to the information provided by the Group, the development plan is yet to be finalized. However, the existing structures would probably be demolished to make way for future development and therefore we have disregarded them in our valuation.
8. In our valuation, we have identified and analyzed various relevant market information in the locality which have similar characteristic as the subject property. The unit price on site area of these comparables range from USD89,000 to USD100,000 per hectare. The unit rates assumed by us are consistent with the relevant comparable after due adjustments. Due adjustments to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction status, location, size and shape of land in arriving at the key assumption.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value
				in existing state as at 31 October 2015 HK\$
3.	Trellis Bay Estate Lot Nos. BIG 3840A.4 & 8, BIG 3838A.1 & 9, BIG 3640B.18 & 19, Beef Island, British Virgin Islands	The property comprises 6 parcels of land with a total site area of approximately 267.90 hectares (or 662 acres) of mainly undeveloped land with minimum improvements which include a plant nursery, two commercial buildings and a restaurant on Bellamy Cay. The buildings originally constructed in 1960's and renovated in later 1990's and early 2000's.	As advised by the Group, portion of the property is leased to independent third parties (please see note 3 for details).	152,000,000 50% interest attribute to the Group 76,000,000
		The property is held under freehold interests.		

Notes:

1. Quorum Island (BVI) Limited is as at the report date 50% indirectly owned by the Company.
2. Pursuant to the land search record, the registered proprietor of 6 parcels of land with a total site area of approximately 267.90 hectares is Quorum Island (BVI) Limited.
3. As advised by the Group, the property is leased to third parties:
 - a. Pursuant to a tenancy agreement dated 1 January 2015, Bellamy Cay (Parcel 4 of Block 3840A) and Quaker Ruin (Parcel 1 of Block 3838A) were leased to an independent third party for a term of 1 year commencing from 1 January 2015 to 31 December 2015 at a monthly rent of US\$3,900 exclusive of electricity, telephone or other utilities used or consumed by the Tenant in the Leased Premises.
 - b. Pursuant to a tenancy agreement dated 1 January 2015, Ice House Building and Parking Area (Parcel 9 of Block 3838A) were leased to an independent third party for a term of 1 year commencing from 1 January 2015 to 31 December 2015 at a monthly rent of US\$3,650 exclusive of electricity, telephone or other utilities used or consumed by the Tenant in the Leased Premises.
 - c. Pursuant to a tenancy agreement dated 1 January 2015, Aragorn's Studio Building (Parcel 9 of Block 3838A) was leased to an independent third party for a term of 1 year commencing from 1 January 2015 to 31 December 2015 at a monthly rent of US\$3,150 exclusive of electricity, telephone or other utilities used or consumed by the Tenant in the Leased Premises.
 - d. Pursuant to a tenancy agreement dated 1 January 2015, the Nursey (Parcel 9 of Block 3838A) was leased to an independent third party for a term of 1 year commencing from 1 January 2015 to 31 December 2015 at a monthly rent of US\$3,000 exclusive of electricity, telephone or other utilities used or consumed by the Tenant in the Leased Premises.

4. We have been provided with a legal opinion regarding the property interest by the Company's legal advisers, which contains, inter alia, the following:
 - a. save for the lands in note 4c, the Group has right to disposition by sale and transfer, lease, charge, and may be used, occupied and developed the property;
 - b. save for the lands in note 4c, the property is not subject to any charge, incumbrances and restrictions;
 - c. as shown in the Incumbrances Section of the Land Registry, a lease agreement of the land designated as Parcel 4 of Block 3840A registered as Instrument Number 326/1977 is leased to Anthony Snell (deceased) from 1 August 1973.
 - d. the Group has the requisite authority under the Non-belongers Land Holding Regulation Act to own and use the property in the manner prescribed by the licence;
 - e. the Beef Island Channel and Hans Creek, both appurtenant to Beef Island, were lawfully designated fisheries protected areas on 17 November 2011;
 - f. expansion of the runway at the Terrance B Lettsome International Airport on Beef Island in British Virgin Islands may influence the valuation of the property depending on the expansion concept that is selected by the Government of the British Virgin Islands; and
 - g. pursuant to a joint venture agreement made between the Group and InterIsle Holdings Ltd. dated 11 August 2006, upon the issue of the 5,000 shares to InterIsle Holdings Ltd., InterIsle Holdings Ltd. would hold 50% of the issued and outstanding shares of Quorum Island (BVI) Limited. Profits derived from the development of the property shall be distributed amongst the shareholders in proportion of their interest in the joint venture.
5. A general description of the Property is summarized as below:

Location	:	The property is located in Beef Island, mainly undeveloped land on the east and southern peninsula.
Nature of Surrounding Area	:	The land is surrounded by the Caribbean sea and has an extensive water frontage comprising rocky frontage and beaches.
Transportation	:	Approximately 20 minutes' drive from Road Town.
Future plans for construction, renovation, improvement or development of the property	:	As advised by the Company, the property is intended to be developed into a resort community including luxury hotel, marina facility, 18-hole golf course, various residential units and commercial shopping zone.

No detailed planning of the property has been established as at the valuation date.
6. Pursuant to the information provided by the Group, a Master Plan was approved by the Office of the Chief Minister on 31 January 2007. The approved master plan includes (i) a club house with 18-hole championship golf course, conference facility, infrastructure and related facilities; (ii) Marina and mega yacht facility including marina commercial units; (iii) residential or luxury hotel units; and (iv) commercial shopping area.
7. According to the information provided by the Group, the development plan is yet to be finalized. However, the existing structures would probably be demolished to make way for future development and therefore we have disregarded them in our valuation.
8. In our valuation, we have identified and analyzed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price on site area of these comparables range from USD24,000 to USD39,000 per acre. The unit rates assumed by us are consistent with the relevant comparable after due adjustments. Due adjustments to the unit rates of those transactions have been made to reflect these factors including but not limited to transaction time, location, size and shape of land in arriving at the key assumption.

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 Group. 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:	HK\$
<u>6,000,000,000 Shares</u>	<u>60,000,000</u>
Issued and fully paid:	
<u>1,739,660,739 Shares</u>	<u>17,396,607.39</u>

All the issued shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There are no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or its associated corporation(s) (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Interests in the Shares or underlying shares

Name of Director	Beneficially owned	Number of Shares Held by controlled corporation	Total	Approximate % of issued Shares
Wang Jingyu (“Ms. Wang”)	–	465,725,959 (Note)	465,725,959	26.77%
Ng Kit Ling	15,000	–	15,000	0.001%

Note: These shares were held by Millennium Capital Asia Limited, a company which was wholly owned by Peak Access International Limited, which in turn was beneficially owned by Ms. Wang.

As at the Latest Practicable Date, none of the Directors were interested in any share options granted under the share option scheme of the Company adopted on 15 November 2012.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

(b) Substantial Shareholders’ interests

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no persons (not being a Director or chief executive of the Company) had any interest, directly or indirectly, or short position in the Shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, nor were recorded in the register required to be kept by the Company under section 336 of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his or her respective associates was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by members of the Group within the two years immediately preceding the date of this circular and which is or may be material:

- (a) the Disposal Agreement; and
- (b) a loan agreement dated 24 June 2014 between the Company and Get Nice Finance Company Limited in relation to the grant of an unsecured loan of HK\$10 million from Get Nice Finance Company Limited, at an interest rate of 12% per annum, for a term of three months.

7. LITIGATION**(a) HIGH COURT MISCELLANEOUS PROCEEDINGS NO. 243 AND 522/2011**

During January and February 2011, Wong Kar Gee, Mimi ("Ms. Wong"), a former non-executive Director retired on 14 January 2011, commenced actions to bring the Company and a subsidiary of the Company as intervening parties to the matrimonial proceedings between Ms. Wong and Mr. Hung.

On 7 July 2011, Ms. Wong lodged a statement of claim to the High Court of Hong Kong Special Administrative Region (the "High Court") against the Company and the subsidiary for claiming a declaration that certain investment properties, which have been included in the Group's consolidated financial statements, were actually held by the subsidiary as a trustee for Ms. Wong and an order for the taking of accounts or quantification of equitable compensation amongst certain involved parties (the "Claims").

On 5 August 2011, the Company and the subsidiary filed defence and counterclaims against Ms. Wong for vacant possession of those investment properties and unpaid licence fees for remaining at the investment properties until the recovery of possession of the investment properties by the Company and the subsidiary (the "Counterclaims").

On 4 May 2012, Ms. Wong conceded on the Claims against the Group and also on the Counterclaims against her. Accordingly, the High Court made the orders and judgement that the Claims were dismissed with costs payable by Ms. Wong to the Group on an indemnity basis. A declaration that the investment properties belonged to the Group was also granted. Besides, Ms. Wong was ordered to deliver up vacant possession of the investment properties and pay mesne profits for her period of occupation.

On 11 June 2012, Ms. Wong returned the possession of the investment properties to the Group.

The Group had recovered the legal costs of the Group in respect of the Claims and the Counterclaims from Ms. Wong during the year ended 30 June 2015.

(b) HIGH COURT ACTION NO. 424/2011

Ms. Wong originally commenced the claim for various arrears of salaries and other allowances, non-executive director's fee and reimbursements in respect of the investment properties in the Labour Tribunal against the Company. After a preliminary hearing, the Labour Tribunal transferred the claim to the High Court in February 2011 for a total sum of the claim of approximately HK\$3.5 million.

On 31 May 2011, Ms. Wong lodged a statement of claim to the High Court against the Company for an aggregate amount of approximately HK\$1.5 million and the related interest and costs (the "Statement of Claims").

On 21 August 2012, Ms. Wong's lawyer took out a summons application for leave to amend the Statement of Claims in which the claim amount was adjusted to approximately HK\$3 million with further interest and related costs to be charged.

On 20 February 2013, the High Court provisionally struck out the claim as Ms. Wong failed to appear at the case management conference. Ms. Wong applied appeal to the High Court to restore the claim.

On 26 February 2014, the High Court made decision to restore Ms. Wong's claim with no conditions attached.

On 11 March 2014, the Company applied appeal to the High Court against the restoration.

On 19 August 2015, the High Court dismissed the appeal and the Company should pay Ms. Wong her costs of and occasioned by the appeal, to be taxed.

The Directors consider that the claim from Ms. Wong is without merit and have been advised by the Group's lawyers that the Group holds strong positions in this claim and therefore no provision for the claims is considered necessary.

(c) THE EASTERN CARIBBEAN SUPREME COURT VIRGIN ISLANDS CIVIL APPEAL (CLAIM NO. BVIHCV NO. 11/F 2013 2012/0135)

In December 2012, Target A commenced legal proceeding in the High Court of the BVI and filed (i) a claim against InterIsle and relevant parties for the transfer of over 30% interest in Quorum to Target A (the “Transfer Claim”) and (ii) a claim against Quorum for the non-payment of the Promissory Note in the principal amount of US\$22 million (approximately HK\$171,600,000). In response, InterIsle filed its application for stay of the Transfer Claim and sought an order for the Transfer Claim to be dealt with by way of arbitration proceedings. The High Court of the BVI granted the application for stay in favour of InterIsle and ordered that the parties should commence arbitration to determine the substantive outcome of the Transfer Claim. Following the decision of the High Court of the BVI, Target A applied to the Court of Appeal of the BVI to appeal the decision of the High Court of the BVI.

On 1 May 2014, the Court of Appeal of the BVI made public its decision to dismiss Target A’s appeal against InterIsle and maintain the decision of the High Court of the BVI which granted the application for stay in favour of InterIsle and ordered that the parties should commence the arbitration to determine the substantive outcome of the Transfer Claim.

On 22 May 2014, Target A applied for leave to appeal the decision of BVI Court of Appeal and the application has been set for hearing at the next sitting of the BVI Privy Council in Tortola. Subsequently, Target A was advised by its legal counsel, withdrew of its appeal on 19 September 2014 and commenced the arbitration.

The Group is in the process of taking the appropriate steps to recover the promissory note receivable from Quorum and the Transfer Claim from InterIsle through arbitration proceeding.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

9. EXPERTS’ QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Donvex Capital	licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO
JLL	professional property valuer

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, the experts had no shareholding directly or indirectly in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, nor did they have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda;
- (b) the branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, which situates at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;
- (c) the company secretary of the Company is Ms. Ng Kit Ling, who is an Executive Director and a director of various subsidiaries of the Company, she is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, she also holds a Master Degree in Accountancy from the Hong Kong Polytechnic University;
- (d) the auditor of the Company is Mazars CPA Limited; and
- (e) in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Units 3402-3, 34/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;

- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 20 to 33 of this circular;
- (d) the valuation report issued by the Valuer, the text of which is set out on pages 37 to 46 of this circular;
- (e) the material contracts referred to in the section headed “MATERIAL CONTRACTS” in this appendix;
- (f) the written consents referred to in the section headed “EXPERTS’ QUALIFICATION AND CONSENT” in this appendix;
- (g) the annual reports of the Company for each of the two years ended 30 June 2014 and 2015;
- (h) the Disposal Agreement; and
- (j) this circular.

NOTICE OF SGM



APPLIED DEVELOPMENT HOLDINGS LIMITED

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 Suite 2418, 24/F., Jardine House, 1 Connaught Place, Central, Hong Kong at 2:00 p.m. on 21 December 2015 (Monday) 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 sale and purchase agreement dated 9 November 2015 (the “Disposal Agreement”) entered into between Glory Paradise Group Limited as purchaser and Applied Development Holdings Limited (the “Company”) as vendor in relation to the disposal of (i) the entire issued share capital of Applied Enterprises Limited by AppliedLand Limited; (ii) the entire issued share capital of Beachside Investments Limited by Applied International Holdings Limited; (iii) all obligations, liabilities and debts owing or incurred by Applied Enterprises Limited to AppliedLand Limited as at the date of completion of the Disposal Agreement; and (iv) all obligations, liabilities and debts owing or incurred by Beachside Investments Limited to Applied International Holdings Limited as at the date of completion of the Disposal Agreement, a copy of which has been produced to this Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to exercise all powers of the Company and to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Disposal Agreement and the transactions contemplated thereunder.”

By Order of the Board
Applied Development Holdings Limited
Wang Jingyu
Chairlady and Managing Director

Hong Kong, 4 December 2015

* For identification purpose only

NOTICE OF SGM

Executive Directors:

Ms. Wang Jingyu

(Chairlady and Managing Director)

Ms. Ng Kit Ling

Mr. Tsao Hoi Ho

Mr. Meng Song

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

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

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Meeting.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its 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.
3. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish. In such event, the instrument appointing such a proxy shall be deemed to be revoked.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority shall 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 for holding the Meeting or adjourned meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
5. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the Meeting in person or by proxy, the persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. The ordinary resolution set out herein and is to be passed at the Meeting will be taken by way of poll.
7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 9:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of the Company at www.applieddev.com and on the HKExnews website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.