



APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00519)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

The Board of Directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

	<i>Notes</i>	Six months ended	
		31/12/2006	31/12/2005
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	2	64,681	59,192
Cost of sales		(57,205)	(50,921)
Gross profit		7,476	8,271
Increase in fair value of investment properties		5,000	6,200
Other operating income		810	6,338
Distribution costs		(790)	(867)
Administrative expenses		(13,477)	(15,475)
Interest income		506	216
Investment income		241	46
Gain on disposal of property, plant and equipment		–	140
Gain on disposal of available-for-sale investments/other securities		1,868	649
Gain on disposal of subsidiaries		12,000	–
Profit from operations		13,634	5,518
Finance costs		(2,083)	(2,287)
Profit before taxation	3	11,551	3,231
Income tax	4	–	–
Profit after taxation		11,551	3,231
Attributable to:			
Equity holders of the Company		11,551	3,006
Minority interests		–	225
Profit after taxation		11,551	3,231
Earnings per share	5		
Basic		1.33 cents	0.34 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2006

		<u>31/12/2006</u>	<u>30/6/2006</u>
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	6	212,500	207,500
Property, plant and equipment		174,140	171,307
Prepaid lease payments – non-current portion		2,003	2,003
Other assets		1,845	1,701
Available-for-sale investments		4,281	26,391
		<u>394,769</u>	<u>408,902</u>
Current assets			
Inventories		1,893	2,256
Trade and other receivables	7	69,470	46,660
Prepaid lease payments – current portion		46	46
Pledged bank deposits		3,119	3,059
Bank balances and cash		31,023	37,836
		<u>105,551</u>	<u>89,857</u>
Current liabilities			
Trade and other payables	8	6,306	10,021
Tax payable		1,084	1,084
Bank and other borrowings			
– due within one year		20,332	16,145
Obligations under finance leases			
– due within one year		3,980	3,732
		<u>31,702</u>	<u>30,982</u>
Net current assets		<u>73,849</u>	<u>58,875</u>
Total assets less current liabilities		<u>468,618</u>	<u>467,777</u>
Non-current liabilities			
Bank and other borrowings – due after one year		22,977	24,846
Obligations under finance leases			
– due after one year		3,794	3,412
		<u>26,771</u>	<u>28,258</u>
NET ASSETS		<u>441,847</u>	<u>439,519</u>
CAPITAL AND RESERVES			
Share capital	9	8,913	9,100
Treasury shares		(8,911)	(8,911)
Reserves		440,987	438,472
		<u>440,989</u>	<u>438,661</u>
Equity attributable to equity holders of the Company		<u>440,989</u>	<u>438,661</u>
Minority interests		<u>858</u>	<u>858</u>
TOTAL EQUITY		<u>441,847</u>	<u>439,519</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the 2006 Annual Report. The following new standards, amendments to standards and interpretations which are relevant to its operations are mandatory for financial year ending 30 June 2007:

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS – INT 4	Determining whether an arrangement contains a lease
HKFRS – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives

The adoption of new/revised did not result in substantial changes to the Group’s results of operations and financial position.

The following new standards, amendments to standards and interpretations relevant to the Group’s operations have been issued but are not effective for annual accounts for the year ending 30 June 2007 and have not been early adopted:

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 10	Interim financial reporting and impairment

2. SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold to outside customers and rental income from properties under operating leases during the period.

(a) Business segments

For management purposes, the Group is currently organised into three (2005: three) operating divisions – manufacture and distribution of electronic products, property and investment holding, property development. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the six months ended 31 December 2006:

	Manufacture and distribution of electronic products	Property and investment holding	Property development	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	61,387	2,737	557	64,681
Results				
Segment results	251	6,893	557	7,701
Unallocated corporate income				5,933
Profit from operations				13,634
Finance costs				(2,083)
Profit before taxation				11,551
Taxation				–
Profit before minority interests				11,551

Business segment information for the six months ended 31 December 2005:

	Manufacture and distribution of electronic products	Property and investment holding	Property development	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	54,540	4,652	–	59,192
Results				
Segment results	460	6,048	(1,460)	5,048
Unallocated corporate income				470
Profit from operations				5,518
Finance costs				(2,287)
Profit before taxation				3,231
Taxation				–
Profit before minority interests				3,231

(b) Geographical segments

The Group's operations are principally located in Hong Kong and the People's Republic of China, other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's sales by geographical market irrespective of the origin of the goods or services:

Geographical segments	Six months ended			
	31/12/2006		31/12/2005	
	Turnover	Contribution	Turnover	Contribution
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	62,154	1,258	56,721	5,084
The PRC	1,970	886	1,943	896
BVI	557	557	528	(932)
	64,681	2,701	59,192	5,048

3. PROFIT BEFORE TAXATION

	Six months ended	
	31/12/2006	31/12/2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation on		
– Assets owned by the Group	380	1,289
– Assets held under finance leases	847	634
and after crediting:		
Dividend income from listed securities	241	46

4. INCOME TAX

Hong Kong Profits Tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period.

No provision for Hong Kong Profits Tax was made for the period ended 31 December 2006 (2005: Nil) as the Company and its subsidiaries had no assessable profit for that period.

No provision for deferred tax has been made in the period.

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company for the period of HK\$11,551,000 (2005: HK\$3,006,000) and on the weighted average of 866,354,826 (2005: 877,193,826) ordinary shares of the Company in issue during the period. The number of shares adopted in calculation of earnings per share has been arrived after eliminating the shares in the Company held by Applied Investment (Asia) Limited.

No diluted earnings per share has been presented as the exercise prices of share options granted as determined in accordance with HKFRS 2 "Share-based Payment" is higher than the average market price of the shares of the Company of period ended 31 December 2006. No diluted earnings per share for the period ended 31 December 2005 has been presented as the Company has no potential dilutive shares outstanding during the period.

6. INVESTMENT PROPERTIES

	<u>2006</u>
	<u>HK\$'000</u>
VALUATION/FAIR VALUE	
At 1 July 2005	305,500
Disposals	(117,000)
Increase in fair value	<u>19,000</u>
At 30 June 2006 and 1 July 2006	207,500
Increase in fair value	<u>5,000</u>
At 31 December 2006	<u><u>212,500</u></u>

The value of investment properties held by the Group at 30 June 2006 and 31 December 2006 comprises:

	<u>31/12/2006</u>	30/6/2006
	(Unaudited)	(Audited)
	<u>HK\$'000</u>	<u>HK\$'000</u>
Held in Hong Kong:		
Long-term leases	122,000	117,000
Medium-term leases	61,750	61,750
Held outside Hong Kong:		
Medium-term leases	<u>28,750</u>	<u>28,750</u>
	<u><u>212,500</u></u>	<u><u>207,500</u></u>

7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period from 30 to 90 days to its trade customers other than major customers. Included in trade and other receivables of the Group are trade debtors of HK\$4,185,000 (30 June 2006: HK\$3,777,000) and their aging analysis is as follows:

	<u>31/12/2006</u>	30/6/2006
	(Unaudited)	(Audited)
	<u>HK\$'000</u>	<u>HK\$'000</u>
Within 90 days	3,976	3,588
More than 90 days and within 180 days	<u>209</u>	<u>189</u>
	<u><u>4,185</u></u>	<u><u>3,777</u></u>

8. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$2,090,000 (30 June 2006: HK\$4,184,000) and their aging analysis is as follows:

	<u>31/12/2006</u>	30/6/2006
	(Unaudited)	(Audited)
	<u>HK\$'000</u>	<u>HK\$'000</u>
Within 90 days	1,751	3,506
More than 90 days and within 180 days	<u>339</u>	<u>678</u>
	<u><u>2,090</u></u>	<u><u>4,184</u></u>

9. SHARE CAPITAL

	<u>Number of Ordinary shares</u>	<u>Amount</u> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2006 and 31 December 2006	<u>6,000,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 July 2005	937,222,826	9,372
Cancellation upon repurchase of own shares	<u>(27,240,000)</u>	<u>(272)</u>
At 30 June 2006 and 1 July 2006	909,982,826	9,100
Cancellation upon repurchase of own shares	<u>(18,710,000)</u>	<u>(187)</u>
At 31 December 2006	<u>891,272,826</u>	<u>8,913</u>

10. CAPITAL COMMITMENTS

	<u>31/12/2006</u> (Unaudited) <i>HK\$'000</i>	<u>30/6/2006</u> (Audited) <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>198,905</u>	<u>226,344</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the period ended 31 December 2006 (2005: Nil).

REVIEW OF OPERATIONS

The Group's turnover for the period ended 31 December 2006 was approximately HK\$64.7 million, which represented an increase of 9.3% as compared to the period ended 31 December 2005. The administrative expenses for the period ended 31 December 2006 were approximately HK\$13.5 million, which represented a decrease of 12.9% as compared to the expenses which were incurred for period ended 31 December 2005. The unaudited consolidated profit for the period ended 31 December 2006 was approximately HK\$11.6 million (as compared to an unaudited consolidated profit of HK\$3.2 million for the period ended 31 December 2005).

BUSINESS REVIEW

(I) RESORT DEVELOPMENT

Rapid growth and expansion of the world economy contributed to strong consumer confidence in Europe and America, which resulted in strong demand for vacation homes and resorts. The ever-increasing demand for luxurious vacations, especially for destinations where culture and environment are well preserved, creates a positive and exciting outlook for resort development in the world.

Positioned as a luxury resort developer in the tropical areas, our Group is dedicated to capture the growth of the resort industry. In order to become a prestigious resort developer in the upscale resort market, the Group is making a steady progress in its flagship project, the British Virgin Islands Project ("BVI Project").

For the six months ended 31 December 2006, the Group has made strategic progress on its pipeline project, the BVI Project, and partnered with various professional resort developers to deliver promising returns in the future. Master plan of the BVI Project has been finalized with world-class specialists including Jack Nicklaus, EDSA, ATM, Hill Glazier, Wilson & Associates, Harris Civil Engineers, etc. The Group has obtained planning approval of the Master Plan of the BVI Project from the Chief Minister and the Planning Board of the British Virgin Island.

The BVI Project will be co-developed by the Group and InterIsle Holdings Limited (“InterIsle”). It is intended that the site will be developed into a mixed-use luxury resort, which will include, among others, a luxury hotel comprising a condominium hotel and fractional ownership element, an 18-hole championship golf course, a variety of residential units, a marina and a high-end retail commercial area, together with the related infrastructure improvements and installation of utilities.

The bank which is providing the loan of US\$51 million (equivalent to approximately HK\$397,800,000) has appraised the site, for the sum of US\$58.5 million (equivalent to approximately HK\$456,300,000) representing 14.7% higher than the loan amount of US\$51 million as required in which the site was stated at the accumulated cost of US\$18.4 million (equivalent to approximately HK\$143,520,000) involving pre-development cost and land cost. The arrangement of the loan has reached the final stage. Upon completion of the transaction, the Group will receive US\$30 million (equivalent to approximately HK\$234,000,000) from Quorum Island (BVI) Limited.

In order to build up the Group’s land bank reserve, the Group had recently acquired a piece of land sized 450-hectares (48.42 million square feet) in the Province of Chiriqui in Panama at the consideration of US\$17,249,850 (equivalent to approximately HK\$134,548,830). According to Tax-News.com of Washington, Panama has topped the International Living’s Retirement Index for the six consecutive years in 2006. Panama has increasingly become a popular location for retired foreigners to relocate and enjoy their retirement.

(II) INVESTMENT PROPERTIES

During the period under review, the Group’s Investment Properties Division to which property investments located mainly in Hong Kong and PRC has realized profit of approximately HK\$2,737,000.

(III) OEM Business

For the six months ended 31 December 2006, the OEM electronic business continued to be the Group’s stable source of income. In spite of the fierce market competition, the Group’s OEM manufacturing line was supported by an established customer base, which enable the Group to maintain its market share in the industry. The Group has strengthened its competitiveness by implementing proactive measures for resource allocation, aiming to reduce the cost and to focus more on higher-growth products.

OUTLOOK

(I) RESORT DEVELOPMENT

The BVI Project continues to be the Group’s core project in its resort business. With a well-developed master plan being approved and various permits and approvals being obtained from the local government, the Group schedules the groundbreaking ceremony to be held in May 2007, and the pre-sales to be launched in 2nd quarter of 2007. Currently, the Group is negotiating with two five-star luxury hotels in regard of the management of its hotel and branding.

The land acquired in Panama will be yet another significant resort development for the Group. The Group utilizes its past experience and expertise gained from the development of the BVI Project and applies it to develop the business in Panama. The Group is confident with the prospect and future growth of the Province of Chiriqui. The Group is expected to accumulate a total of about 77.17 million square feet of land in its land bank upon completion of the Panama acquisition.

In view of the promising development of the resort and property sector, the Group will keep exploring more suitable opportunities to further expand its resort business and bring sustainable return to its shareholders.

(II) OEM Business

Wideland Electronics Limited, the Group's subsidiary, has moved to a bigger factory in Shenzhen, PRC. The new factory has commenced operation in April 2006 and the facility is in good condition. The production capacity has been improved as a result of the relocation. The Company expects further increase in its competitiveness in the industry.

Given the strong economic growth and great potential in resort and property sector, the Group expects a positive growth in its resort development business. The management will continue to explore for more investment and project development opportunities in resort and property markets in a view to optimize profits. The management is confident of the prospects of the Company.

PLEDGE OF ASSETS

As at 31 December 2006, the carrying values of investment properties, prepaid lease payments, property, plant and equipment pledged by the Group to secure banking facilities granted to the Group amount to HK\$183,750,000 (30 June 2006: HK\$178,750,000), HK\$216,000 (30 June 2006: HK\$216,000) and HK\$1,398,000 (30 June 2006: HK\$1,398,000) respectively. As at 31 December 2006, the Group has also pledged its fixed deposit of HK\$3,119,000 (30 June 2006: HK\$3,059,000).

LIQUIDITY AND FINANCIAL INFORMATION

As at 31 December 2006, the Group's total net asset value and borrowings amounted to HK\$441.8 million and HK\$51.1 million respectively, representing a gearing ratio of 11.5%. In addition, the majority of the Group's assets were in Hong Kong, hence US dollars and the exposure of foreign exchange was insignificant to the Group.

EMPLOYEE INFORMATION

As at 31 December 2006, the Group employed a total of 337 full-time employees.

The Group's emolument policies are formulated on the basis of performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, the Company repurchased 18,710,000 ordinary shares of the Company ("Shares") on the Stock Exchange at an aggregate consideration of HK\$9,512,000. All of the Shares were subsequently cancelled. The nominal value of the cancelled Shares being HK\$187,100 was credited to the capital redemption reserve and the relevant aggregate consideration of HK\$9,512,000 was paid out from the Company's accumulated losses. Details of the repurchases are as follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Purchase price per share		Aggregate consideration HK\$'000
		Highest price paid per share HK\$	Lowest price paid per share HK\$	
July 2006	5,000,000	0.560	0.470	2,509
August 2006	4,160,000	0.550	0.500	2,200
September 2006	2,920,000	0.560	0.540	1,600
October 2006	1,900,000	0.520	0.495	962
November 2006	2,600,000	0.530	0.450	1,294
December 2006	2,130,000	0.470	0.380	947
	<u>18,710,000</u>			<u>9,512</u>

The repurchases were made for the benefit of the shareholders as a whole as they enhance the net asset value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the relevant period.

CORPORATE GOVERNANCE

The Company is committed to adopt best corporate governance practices and procedures of the Group. It strives to enhance transparency and independency of operation through the use of effective accountability system to enable a healthy and sustainable development of the Company. The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 December 2006.

In order to reinforce independence and accountability, the role of the Chairman is separated from that of the Group's Managing Director in which their respective responsibilities were endorsed by the Board in writing. In addition, more than one-third of the Board comprises of Independent Non-Executive Directors. Among the Independent Non-Executive Directors, more than one of them has appropriate professional qualifications, accounting or related financial management expertise as required by the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises of Independent Non-Executive Directors, namely, Mr. Soo Hung Leung, Lincoln J.P. (Chairman of the Audit Committee), Mr. Lun Tsan Kau, Mr. Lo Yun Tai and Mr. Lam Ka Wai, Graham. All of them have related professional qualifications, accounting or related financial management expertise. The Audit Committee has the responsibility to review with the senior management and the Company's external auditors the internal and external audit findings, the accounting principles and practices adopted by the Group pursuant to the Listing Rules, and to discuss with them issues relating to auditing, internal controls, risk management financial reporting matters (including the interim financial report for the six months ended 31 December 2006 before recommending it to the Board for approval) and statutory compliance. The Audit Committee is satisfied that the internal controls and accounting systems of the Group are adequate.

REMUNERATION COMMITTEE

The Remuneration Committee was formed by a majority of Independent Non-Executive Directors which comprises of one executive director, Mr. Hung Kin Sang, Raymond, and two Independent Non-Executive Directors, namely, Mr. Soo Hung Leung, Lincoln J.P. and Mr. Lo Yun Tai. The Remuneration Committee has the responsibility to make recommendations to the Board on the remuneration policy of the Company and its structure. It also reviews specific remuneration packages of all executive Directors and senior management in accordance with the corporate goals and objectives as resolved by the Board from time to time.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the accounting period covered by the interim report for the six months from 1 July 2006 to 31 December 2006.

MEMBERS OF THE BOARD

At the date hereof, the members of the board are as follows:

Executive directors:

Hung Kin Sang, Raymond (*Managing Director*)
Hung Wong Kar Gee, Mimi (*Chairman*)
Fang Chin Ping
Hung Kai Mau, Marcus

Independent non-executive directors:

Soo Hung Leung, Lincoln J.P.
Lo Yun Tai
Lun Tsan Kau
Lam Ka Wai, Graham

By order of the Board
Applied Development Holdings Limited
Hung Kin Sang, Raymond
Managing Director

Hong Kong, 9 March 2007

* *For identification purpose only*

“Please also refer to the published version of this announcement in China Daily”